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This Month's Cover

SPRINGFIELD, MASS.

A view of Springfield, Mass., in 1850, the lithograph reproduced on the front cover was drawn by D. W. Moody and printed by Sarony & Major, of New York. Springfield then numbered fewer than 12,000 inhabitants. In the background at the right of the view is Mount Tom. Just to the left is the United States Arsenal, built in 1846 and still standing. By tradition, it was George Washington who selected the Arsenal's site, in 1789. . . . This print from the Phelps Stokes Collection appears through the courtesy of the New York Public Library. . . . Founded in 1636 by a dozen families from Roxbury, Mass., under the leadership of William Pynchon, the site of Springfield, on the east bank of the Connecticut River about 100 miles southwest of Boston, was first known as Agawam. Four years later it was given its present name, that of Pynchon's English home. The village was burned during King Philip's War, and a century later, 1786, it was the scene of many riots during Shay's Rebellion. . . . The present city (above), 1935 population 150,000, is the third in size in Massachusetts. Employing one out of every ten people, Springfield's industries are broadly diversified. Per capita retail sales are about 75 per cent above the national average. Both value of product of manufactures and retail sales in 1935 were more than $70,000,000. For every 100 families, according to recent estimates, there are in Springfield: 64 passenger automobiles, 100 radios, and 99 domestic electric meters.

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for

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WILLARD L. THORP

Editor of DUN'S REVIEW

¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly, accompanied by check or money order. For prints set off by a French mat 13½ x 14¾ inches ready for framing the charge is $1. For prints mounted and framed, with glass, the charge is $3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 49. . . . ¶ Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece photograph by Hoit, from Cushing. . . . Printed in U. S. A.

EAST RIVER SKYLINE, NEW YORK—PHOTO BY CHARLES PHELPS CUSHING

EDUCATION

AND THE PRESERVATION OF OUR BUSINESS SYSTEM

H. W. PRENTIS, JR.

President, Armstrong Cork Company; Vice-President, National Association of Manufacturers, and Director, Chamber of Commerce of the United States

Defining it as a pattern of thought, a habit of conduct, and a way of life, an industrial leader here points out the dependence of representative democracy, and free enterprise too, upon the discipline and historical perspective of a broad classical education. This is one of a series of articles on subjects of importance to business, presenting opinions of men whose backgrounds have created decided, often conflicting, convictions.

YEARS ago I concluded that any man could claim to be liberally educated—whether he ever attended college or not—if he had, first, accumulated a storehouse of facts; second, trained his mind to think straight; third, acquired mental humility; fourth, created within himself a sense of the fitness of things; and, fifth, developed a keen realization of his individual responsibility to his friends and his family, his country and his God.*

A storehouse of facts: I mention this first because it is perhaps the least important. Certainly, however, no man can lay claim to being educated unless he has stowed away in his mind a certain mass of information about men and things.

The ability to think straight: How rare an accomplishment and yet how vitally important if a man is to succeed in any business or profession! If your education has failed to give you the desire and the ability to analyze, that is, to break down a problem so that you can see the component parts clearly, and then to synthesize, namely, to put together the clearly revealed facts as they stand out before you in the proper patterns to form new concepts leading to logical conclusions, then I say you can lay no just claim to being an educated man.

Mental humility: If I were asked to pick out the one paramount blessing that education should bestow on any man, I should place mental humility—tolerance for other people's opinions—above all others. "A little knowledge is a dangerous thing." So every man,

* The discussion in this article was included in a speech delivered at the commencement exercises of Lincoln Memorial University, of which the author is a trustee. He acknowledges with gratitude the material assistance in the preparation of the address which he secured from a series of lectures by Dr. Everett Dean Martin of Claremont Colleges before Graduate School of Banking of the American Bankers' Association in 1938.

INDUSTRIALIST, EDUCATIONAL ADVISOR

Henning Webb Prentis, Jr., was born in St. Louis, Mo., in 1884, educated in the public schools of that State, and graduated from the University of Missouri in 1903. For the next two years he was secretary to the president of that university and from 1905 to 1907 was secretary of the University of Cincinnati in charge of that institution's relations with secondary schools. In 1907 at Cincinnati he took a Master of Arts degree in economics. Continuing his active interest in education, Mr. Prentis is a trustee of Lincoln Memorial University, of Pennsylvania State College, and of Wilson College. The honorary degree of Doctor of Laws has been conferred on him by Hampden-Sydney College and Grove City College.

Mr. Prentis joined the Armstrong Cork Company in 1907. In 1926 he was elected a member of the board of directors of the company and one of its vice-presidents. In 1929 he was promoted to the first vice-presidency, and in March, 1934, he was elected president, to head an organization which numbers more than 11,000 persons in this country and abroad. He is a director of the National Industrial Conference Board, of the Pennsylvania State Chamber of Commerce, of the Chamber of Commerce of the United States, and a director and vice-president of the National Association of Manufacturers.

it seems to me, who aspires to be truly educated should pursue at least one subject far enough to realize how little he ever can hope to know about it when he compares his own knowledge with that of the real master minds in that particular field. "Knowledge is proud that it knows so much; wisdom is humble that it knows no more," said Cowper. "Healthy discontent is the root of all progress" is the burden of an ancient Chinese proverb.

A sense of the fitness of things: When I refer to a sense of the fitness of things as being one of the characteristics of a liberally educated man, I am thinking not merely of urbanity—the ability to conduct one's self under any given set of circumstances as a gentleman. My underlying thought goes farther than that and applies with equal force to a man's mental fibre.

A sense of the fitness of things, as I employ the term, is not mere social polish or intellectual veneer; it permeates a man's whole being; it leads him intuitively to reject the spurious and the false, to welcome the genuine and the true; to repulse baseness and vulgarity, and welcome nobility and refinement in thought, emotion, and action. Education that does not mold the character of the human receptacle, spiritually and morally, is readily transformed into lethal poison for the individual and social dynamite for the body politic.

A realization of personal responsibility: Your forebears and mine bequeathed us a century and a half ago a priceless legacy of freedom, created through the ceaseless sacrifice of brain and brawn and treasure by generation after generation of our English-speaking ancestors. In view of the character of that heritage and the peculiar responsibility that educated men and women have to preserve it, it seems fitting that we should ask ourselves: What do we purpose to do as individuals to preserve that legacy of freedom intact for the generations that are to follow us?

If we are honest with ourselves, we must admit that with few exceptions we Americans have taken the blessings of freedom for granted for so long; have so completely washed our hands of public affairs; have so thoroughly evaded our individual responsibility as educated citizens; have so neglected the study of politics in the broad sense of the word, that today we are practically powerless to defend our American heritage against its traducers. In fact, few of us have even the vaguest knowledge of the roots of liberty from which our system of government has sprung.

I, too, plead guilty to this indictment. I assumed so smugly until five or six years ago that liberty was mine by inalienable right, that I gave little attention to what was going on in our State Capitol or in Washington. Government, except when I had to make out a tax re-

turn, was something remote and apart from my daily life. And so, while I devoted a certain segment of my time to personal and family affairs, some to recreation, a smaller bit to community interests, a still smaller portion to the church, all the rest was applied to business. There was virtually no place in my life—apart from voting—that was set aside specifically for the duties of citizenship.

In that respect I was not any different from the average American. I took government for granted; assumed that free enterprise and civil liberty were sacrosanct; and that there was no need for me to worry my head about any of them. Some six years ago, however, I had a rude awakening. Since then I have realized what I should have recognized many years ago, namely, that no system of government—particularly representative democracy—can rise higher than the intelligent interest of its citizens.

This republic, after all, was not founded by men who sat in their seats and waited for somebody else to do the job; by men who were so engrossed in their private affairs that they had no time to give to public questions. Furthermore, the system of representative democracy, free enterprise, and religious liberty which they established is not going to be maintained if our intelligent men continue to work at their private businesses five-sixths of the time and spend the rest of their waking hours playing golf. When I read of the crushing sacrifices made by our Revolutionary forebears, I stand frankly abashed and ashamed.

We are not altogether to blame for what has happened. Our lack of awareness has been due largely to the sort of education we received. And here I am not criticizing our schools and colleges. Under representative democracy they have to reflect the current temper of the people. We have simply had our hearts so set on material success that we have virtually forced our educational institutions to teach concrete realities instead of directing attention to the basic principles which underlie and determine all the facts of human existence.

For the last two generations we have practically abandoned the study of classical history from which our forefathers gleaned the principles which form the roots of American liberty. Obviously, a man who lacks knowledge of what has happened in past ages is simply a creature of the moment, governed solely by opportunistic considerations. We have, moreover, virtually given up the study of political philosophy. How many of us have read Thomas Hobbes' "Leviathan," in which the author portrays government as a huge monster that inevitably devours personal freedom if it be not carefully checked and curbed at every point? How many of us have ever digested John Locke on government? Or John Stuart Mill, or Adam Smith?

Yet, when we examine the history of the Revolutionary period in this country, we find that the influences which determined the form of our government stemmed from two main sources: First, from the philosophy of Socrates, Aristotle, and Cicero as reflected in the thinking of those English political philosophers of the seventeenth and eighteenth centuries; and, second, from the British Reformation of the fourteenth century inspired by John Wyclif. From the merging of these two currents of thought came our concept of personal freedom. That concept is supported by a tripod. One leg of this tripod is representative democracy; the second, private free enterprise; the third, civil—particularly religious—liberty. The history of ancient Greece and Rome, the age-long experience of our British ancestors, and recent events in Europe prove incontrovertibly that if any one of the legs of this tripod be undermined, the whole structure of personal freedom soon crashes to earth.

The principles on which our government was based were summarized with exceptional clarity by John Locke. His conclusions directly guided the founding

(Continued on page 43)

AFTER THE WHISTLE, SUN SHIPBUILDING COMPANY, CHESTER, PA.—PHOTO BY CHARLES PHELPS CUSHING

An article that is not to appear in "Dun's Review":

REGIONAL VARIATIONS *in* RETAILERS' TAX PAYMENTS

In announcements of the reports on the Survey of Taxes Paid by Business to appear in Dun's Review there have been included a proposed discussion of regional differences in the tax payments of retailers. As the Dun & Bradstreet Research and Statistical Division has worked further with this material, it has become apparent that the resulting text and tables are not of sufficient general interest to warrant publication in full in these pages.

In place of the complete report we present here a few of the limited conclusions which may be drawn from it. To readers who are students of taxation and to others who believe that a more complete discussion may reveal some points of interest, a copy of the manuscript and tables will gladly be sent on request.

The Editors.

THE various ragged blankets of taxation which overlie the country—sales taxes, property taxes, income taxes, social security, and miscellaneous taxes—make possible an almost infinite assortment of tax payments, with probably no two retailers paying exactly the same assortment in the same relative proportions. This is not only a natural result of the infinite variations in retailers' sales volumes, income, and property holdings which serve as bases for taxation, but reflects also the fact that no two of the forty-eight State tax systems are exactly alike and that local property taxation runs to even more copious variety. Infinite as such variety is, it requires that any valid survey have an enormous sample.

More than 16,000 independent retailers contributed to the Survey a record of their tax payments in 1938, a large enough sample to yield satisfactory national averages of tax payments in about thirty retail trades. (Dun's Review, July, August, 1939). When each of the thirty trades are broken down into forty-eight State groups, however, there emerge almost 1,500 little squads averaging about ten stores each and totally incapable of storming the mathematical defenses which usually hinder the capture of accurate averages. Even when the trades are combined into ten broad groups and the States gathered in clans whose tax laws are related, many of the variations shown in the tables are the purely accidental results of unusually large or small tax payments.

The study does, nonetheless, permit some general conclusions. We are dealing, of course, with State and local taxes only, since Federal taxes are imposed at uniform rates throughout the country and do not vary appreciably among the States. These State and local taxes ordinarily constitute about 63 per cent of the retailers' tax payments, a little less than two-thirds of the total, which our United States averages have already shown to be about 2 per cent of the annual sales of retail trade.

State sales taxes, though they fail to yield as much as an optimistic budgeteer might have estimated by multiplying the tax rate against Census retail volume, nevertheless are commonly the retailer's largest tax payment in sales-tax States. This tax, furthermore, accounts for most of the major differences in the tax payment ratios reported by retailers in the several States and regions.

Next in importance among the strictly State and local levies are the variations in property tax payments, which are related less to regional factors than to size of town, local tax rates, and assessment policies. The Social Security levy under combined Federal and State auspices varies less from State to State than any other tax payment ratio, if equal sizes of business enterprises be considered.

Beyond these generalizations we cannot reach with the data at hand. If business spokesmen are to have complete and reliable information as a basis for presenting their views to State legislatures and local taxing authorities, further study is needed. It must be based on an even larger sample of experience than the present broad survey.

14 FINANCIAL RATIOS *for* 24 WHOLESALE *and* 12 RETAIL TRADES

New 1938 Averages

ROY A. FOULKE
DUN & BRADSTREET, INC.

GENDREAU

IN contrast with those for 1937, the 1938 figures for important financial ratios in twenty-four wholesale and twelve retail trades show four outstanding changes: (1) lower annual sales, (2) smaller year-end inventories, (3) lower year-end current liabilities, and (4) less profitable operations. A limitation—or from another point of view, a valuable characteristic—of this study is that most of the concerns whose operating figures yield these averages have tangible net worth of at least $50,000, which is large, as retail capital goes.

Most lines of commercial and industrial activity hit bingo in a big way in 1937. This was the high point from the reaction which started in the brightly colored bubble year of 1929, when almost everything except the national debt made record highs; then came the bumps along the bottom in 1932, followed by the gradual start upward. During the Spring and Summer of 1937 another "reaction" set in; perhaps in the parlance of Wall Street this one would be called a "secondary reaction." It held sway pretty well until the Summer of this year.

The year 1938 was in the doldrums. Factory automobile sales fell from 5,016,437 in 1937 (the second highest year in the motor vehicle industry) to 2,655,171 in 1938—47 per cent—a tremendous trap-door drop. The sales of durable consumer goods fell off, electric refrigerators from 2,310,000 to 1,240,000 units, or 46 per cent, vacuum cleaners 22 per cent, and electric ranges 38 per cent. Manufacturers' sales of furniture dropped from $658,000,000 in 1937 to $436,000,000 in 1938, a decrease of 32 per cent. The aggregate sales of paints, varnishes, and lacquers dropped from $538,460,000 in 1937 to $447,000,000 in 1938. Only in the awards of construction contracts, the volume of air travel, and the manufacture of electric dry shavers were there appreciable improvements.

With less production in all important lines of manufacturing there was decreased distribution. Wholesale and retail distributors purchased less merchandise. The smaller annual sales are shown in the tables on pages 10 and 11 in the ratio of *turnover of tangible net worth,* based on the relationship between annual net sales and tangible net worth. The median ratios of seventeen of the twenty-four wholesale lines and ten of the twelve retail lines show noticeably smaller turnovers of tangible

CHARLES PHELPS CUSHING

FOR 24 WHOLESALE AND 12 RETAIL TRADES—FOURTEEN IMPORTANT

(The middle half of the concerns fall between italicized figures; the second figure, the median, is the middle concern)

WHOLESALERS

Line of Business	Number of Concerns	Current Assets to Current Debt	Net Profits on Net Sales	Net Profits on Tangible Net Worth	Net Profits on Net Working Capital	Turnover of Tangible Net Worth	Turnover of Net Working Capital	Average Collection Period	Net Sales to Inventory	Fixed Assets to Tangible Net Worth	Current Debt to Tangible Net Worth	Total Debt to Tangible Net Worth*	Inventory to Net Working Capital	Inventory Covered by Current Debt	Funded Debts to Net Working Capital*
		Ratio	*Per Cent*	*Per Cent*	*Per Cent*	*Times*	*Times*	*Days*	*Ratio*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*
		4.55	*2.84*	*10.10*	*15.14*	*3.47*	*5.54*	*37*	*6.3*	*5.9*	*16.7*	**50.7**	*63.8*	*33.9*	*60.8*
Automobile Parts and Accessories	156	2.93	1.06	2.69	4.05	2.52	3.76	47	4.4	12.4	31.3	**89.9**	81.8	57.1	*77.4*
		2.14	*0.02*	*0.35*	*0.55*	*1.79*	*2.82*	*64*	*3.3*	*27.2*	*54.7*	*123.2*	*99.4*	*85.5*	*101.3*
		4.38	*0.82*	*12.70*	*17.63*	*15.50*	*23.19*	*14*	*32.0*	*3.6*	*10.7*	...	*19.9*	*48.5*	...
Butter, Eggs, and Cheese	42	2.71	0.14	1.47	1.98	10.24	13.64	19	26.8	12.9	27.2	...	35.3	89.3	...
		1.86	*0.20†*	*1.18†*	*2.17†*	*5.80*	*9.92*	*31*	*12.9*	*30.4*	*47.1*	...	*70.7*	*141.8*	...
		2.67	*0.27*	*5.56*	*8.02*	*20.3*	*29.5*	*14*	*36.6*	*3.5*	*36.1*	...	*56.4*	*89.1*	...
Cigars, Cigarettes, and Tobacco	58	1.94	0.21	2.84	4.47	13.5	21.4	17	27.3	9.7	68.0	...	78.0	141.9	...
		1.55	*0.03*	*0.29*	*0.39*	*8.9*	*12.9*	*23*	*18.7*	*25.4*	*131.3*	...	*102.5*	*180.5*	...
		5.56	*2.34*	*12.22*	*19.90*	*5.17*	*8.50*	*26*	*15.6*	*7.9*	*13.6*	...	*44.5*	*32.2*	...
Coffee and Tea	27	3.23	0.84	2.87	5.28	3.44	6.32	39	10.7	23.1	23.9	...	61.1	72.1	...
		2.53	*0.29†*	*0.90†*	*1.14†*	*2.62*	*3.79*	*66*	*6.4*	*43.7*	*39.1*	...	*78.8*	*105.6*	...
		3.66	*0.87*	*5.82*	*7.85*	*7.30*	*8.39*	*25*	*8.3*	*2.0*	*30.6*	...	*55.5*	*41.6*	...
Drugs and Drug Sundries	57	2.89	0.43	1.67	1.83	3.65	4.55	44	6.1	9.2	38.3	...	78.1	67.9	...
		2.16	*0.25†*	*0.74†*	*0.86†*	*2.75*	*3.70*	*67*	*4.3*	*25.0*	*61.5*	...	*104.9*	*94.2*	...
		3.85	*0.94*	*4.36*	*5.67*	*4.74*	*5.88*	*46*	*8.5*	*0.9*	*17.1*	...	*47.8*	*35.8*	...
Dry Goods	180	2.64	0.36	1.15	1.43	3.20	4.23	60	5.9	6.7	35.6	...	66.2	70.4	...
		2.07	*0.85†*	*2.12†*	*2.88†*	*2.15*	*2.93*	*84*	*3.9*	*19.2*	*71.3*	...	*91.5*	*103.8*	...
		3.81	*1.94*	*10.37*	*12.14*	*5.04*	*6.53*	*38*	*8.7*	*3.8*	*24.7*	...	*51.1*	*52.7*	...
Electrical Parts and Supplies	70	2.56	0.79	2.96	3.26	3.60	4.31	48	6.9	9.3	52.1	...	69.9	80.8	...
		1.98	*0.41†*	*0.87†*	*1.27†*	*2.29*	*3.07*	*63*	*4.7*	*17.9*	*81.0*	...	*94.2*	*115.5*	...
		3.13	*0.22*	*1.25*	*1.93*	*5.52*	*9.71*	*40*	*10.5*	*1.6*	*24.5*	...	*51.8*	*59.3*	...
Food Products, Importers	29	2.45	0.17†	0.77†	0.84†	4.14	5.08	57	7.7	8.3	58.2	...	94.0	94.2	...
		1.74	*1.78†*	*4.78†*	*5.35†*	*2.68*	*3.05*	*71*	*4.3*	*41.5*	*89.9*	...	*114.8*	*141.5*	...
		3.06	*0.78*	*11.63*	*16.58*	*13.95*	*22.31*	*15*	*34.6*	*3.4*	*31.7*	...	*18.3*	*85.4*	...
Fruits and Produce, Fresh	30	2.25	0.33	2.93	4.66	9.04	14.30	19	20.6	23.2	48.7	...	31.0	147.0	...
		1.66	*0.13*	*0.64*	*1.23*	*5.14*	*8.61*	*27*	*10.6*	*50.7*	*61.4*	...	*93.1*	*213.0*	...
		4.49	*0.56*	*2.88*	*2.98*	*5.13*	*5.25*	*29*	*12.5*	*0.2*	*6.6*	...	*37.3*	*12.4*	...
Furs and Skins	31	2.72	1.55†	5.53†	5.86†	3.57	3.75	48	7.2	1.4	21.6	...	51.8	44.2	...
		2.11	*4.73†*	*12.19†*	*13.14†*	*2.54*	*2.69*	*71*	*4.2*	*2.5*	*67.3*	...	*77.1*	*104.1*	...
		3.77	*0.75*	*5.75*	*7.88*	*7.82*	*10.07*	*19*	*10.0*	*3.2*	*15.5*	...	*67.0*	*32.4*	...
Groceries	213	2.67	0.36	1.84	2.68	5.30	7.42	29	8.4	11.9	36.5	...	85.5	55.9	...
		2.05	*0.21†*	*0.68†*	*1.14†*	*3.50*	*5.12*	*38*	*6.6*	*32.0*	*67.6*	...	*113.0*	*83.5*	...
		4.67	*2.13*	*6.63*	*8.75*	*3.23*	*4.03*	*42*	*4.5*	*3.4*	*12.7*	*57.9*	*64.6*	*26.3*	*52.0*
Hardware	151	3.23	0.78	1.72	2.03	2.13	2.70	53	3.3	11.8	25.2	*69.8*	76.3	45.5	*76.6*
		2.40	*0.42†*	*0.62†*	*0.78†*	*1.45*	*1.98*	*68*	*2.8*	*29.1*	*55.0*	*117.9*	*99.2*	*72.9*	*113.0*
		4.99	*0.95*	*5.21*	*6.68*	*5.40*	*7.25*	*44*	*11.4*	*0.7*	*12.7*	...	*38.5*	*31.4*	...
Hosiery	41	2.86	0.32	1.50	1.58	4.11	4.82	51	6.8	1.4	31.2	...	64.3	63.3	...
		2.02	*1.41†*	*3.83†*	*3.95†*	*2.70*	*2.80*	*75*	*5.2*	*4.2*	*65.4*	...	*86.5*	*121.4*	...
		3.69	*0.88*	*4.17*	*4.45*	*4.75*	*5.04*	*42*	*6.8*	*0.8*	*23.3*	...	*46.8*	*42.8*	...
Hosiery and Underwear	47	2.89	0.01	0.47	0.51	3.39	3.94	63	5.9	2.0	46.2	...	64.9	72.2	...
		2.26	*1.60†*	*4.18†*	*4.85†*	*2.52*	*2.89*	*91*	*4.7*	*4.2*	*61.1*	...	*82.8*	*93.1*	...
		5.52	*1.07*	*6.52*	*6.90*	*6.17*	*6.32*	*28*	*12.6*	*1.0*	*17.6*	...	*32.2*	*50.6*	...
Knitted Outerwear	29	3.19	0.58	2.62	2.80	4.46	4.91	53	8.9	1.7	33.3	...	46.1	75.7	...
		2.21	*0.09†*	*0.27†*	*0.31†*	*2.88*	*2.99*	*62*	*5.9*	*3.5*	*63.4*	...	*58.0*	*120.5*	...
		4.44	*0.88*	*3.65*	*5.52*	*4.09*	*6.49*	*29*	*6.4*	*2.7*	*10.1*	*35.1*	*44.7*	*33.4*	*66.8*
Lumber	131	3.01	0.06	0.14	0.27	2.23	3.80	59	4.4	20.3	28.1	*70.6*	73.1	62.2	*88.7*
		1.99	*2.11†*	*3.71†*	*4.81†*	*1.67*	*2.26*	*77*	*3.4*	*44.1*	*48.8*	*102.1*	*104.3*	*121.4*	*143.1*
		3.77	*0.27*	*2.51*	*4.60*	*9.20*	*16.25*	*17*	*35.5*	*6.4*	*24.4*	...	*27.2*	*89.5*	...
Meat and Poultry	50	2.39	0.03	0.21	0.37	7.33	11.79	28	26.8	34.1	42.4	...	39.2	127.5	...
		1.80	*0.68†*	*2.80†*	*6.55†*	*3.93*	*8.80*	*42*	*16.1*	*69.1*	*70.2*	...	*57.9*	*143.7*	...
		4.36	*0.61*	*3.52*	*4.35*	*5.34*	*7.20*	*43*	*9.3*	*2.3*	*19.6*	*68.9*	*45.5*	*47.7*	*83.3*
Paper	143	2.77	0.07	0.28	0.38	3.98	5.66	55	6.3	9.4	36.8	79.1	66.3	79.9	91.0
		2.10	*1.30†*	*3.24†*	*4.87†*	*2.55*	*3.68*	*69*	*4.8*	*29.1*	*64.4*	*102.2*	*94.3*	*113.4*	*127.6*
		4.82	*0.62*	*2.94*	*4.08*	*5.09*	*6.68*	*48*	*8.3*	*5.8*	*15.5*	*57.2*	*51.5*	*32.4*	*69.6*
Plumbing and Heating Supplies	93	2.69	0.12†	0.33†	0.53†	3.33	4.93	60	5.1	19.4	37.3	77.3	76.6	68.4	98.2
		2.04	*1.80†*	*4.20†*	*8.18†*	*2.26*	*3.10*	*88*	*3.3*	*46.3*	*68.6*	*119.4*	*102.3*	*107.1*	*112.7*

† Loss. * This percentage was determined only for those lines of business and for those years in which a reasonable number of concerns had outstanding long-term liabilities. ** Part of the annual sales were for cash and part were on charge account. To obtain an average collection period it would have been necessary to deduct the amount of the cash sales from the annual net sales and then to have determined the average number of days which the accounts and notes receivable were outstanding based upon the resultant yearly charge sales. This necessary information was available in too few cases to obtain an average collection period which could be used as a broad guide.

EXPLANATION OF RATIO ANALYSIS TERMS

Collection Period—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any) less reserves for bad debts, represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable by the average credit sales per day to obtain the average collection period.

Current Assets—Total of cash, accounts, and notes receivable for the sale of merchandise in regular trade quarters, inventory, listed securities when carried at the lower of cost or market, and United States Government securities.

Current Debt—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. This item also includes current reserves such as reserves for taxes and reserves for contingencies set up for specific purposes, but does not include reserves for depreciation.

Fixed Assets—The sum of the depreciated book values of real estate, buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

Funded Debt—Mortgages, bonds, debentures, gold notes, serial notes or other obligations with a maturity of more than one year from the statement date.

Inventory—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

FINANCIAL RATIOS—MEDIAN AND INTERQUARTILE RANGE—FOR 1938

(The middle half of the concerns fall between italicized figures; the second figure, the median, is the middle concern)

WHOLESALERS *(Continued)*

Line of Business	Number of Concerns	Current Assets to Current Debt	Net Profits on Net Sales	Net Profits on Tangible Net Worth	Net Profits on Net Working Capital	Turnover of Tangible Net Worth	Turnover of Net Working Capital	Average Collection Period	Net Sales to Inventory	Fixed Assets to Tangible Net Worth	Current Debt to Tangible Net Worth	Total Debt to Tangible Net Worth*	Inventory to Net Working Capital	Inventory Covered by Current Debt	Funded Debts to Net Working Capital*
		Ratio	*Per Cent*	*Per Cent*	*Per Cent*	*Times*	*Times*	*Days*	*Ratio*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*	*Per Cent*
		5.18	*1.93*	*6.85*	*8.17*	*3.37*	*4.46*	55	7.2	*1.8*	*14.8*	...	*42.6*	*33.4*	...
Shoes, Men's and Women's	39	4.07	0.24	0.73	0.89	3.17	3.76	63	5.0	8.8	26.2	...	60.6	56.9	...
		2.57	*2.28†*	*5.31†*	*6.47†*	*2.42*	*2.71*	*83*	*4.0*	*21.2*	*43.0*	...	*82.9*	*84.7*	...
		4.10	*0.52*	*3.93*	*4.08*	*7.58*	*7.83*	*44*	*11.7*	*1.2*	*22.0*	...	*35.0*	*37.3*	...
Shoes, Women's and Children's	34	2.66	0.58†	2.87†	3.24†	4.96	5.46	52	8.5	3.8	42.1	...	50.1	76.1	...
		2.02	*2.95†*	*9.66†*	*12.41†*	*3.28*	*4.18*	*62*	*4.8*	*5.6*	*73.6*	...	*84.5*	*128.4*	...
		2.25	*1.03*	*12.04*	*15.50*	*11.78*	*14.80*	*25*	*11.3*	*3.5*	*53.6*	...	*65.9*	*84.1*	...
Wines and Liquors	48	1.79	0.90	6.39	7.20	7.18	7.86	41	8.3	8.9	114.4	...	121.5	111.6	...
		1.45	*0.26*	*1.26*	*1.46*	*4.47*	*6.15*	*60*	*5.4*	*23.2*	*159.2*	...	*157.9*	*131.5*	...
		3.92	*0.95*	*9.60*	*10.79*	*9.90*	*11.10*	*38*	*32.6*	*2.9*	*25.4*	...	*22.5*	*79.2*	...
Womenswear, Coats, Suits, and Dresses	31	2.39	0.46†	2.93†	3.45†	6.24	7.71	52	16.3	6.1	51.3	...	36.6	137.8	...
		2.06	*2.91†*	*10.06†*	*11.45†*	*3.32*	*4.09*	*68*	*10.6*	*15.5*	*77.0*	...	*46.3*	*181.6*	...
		2.23	*0.65*	*4.45*	*4.66*	*6.50*	*7.31*	*48*	*6.8*	*0.7*	*65.5*	...	*62.4*	*82.3*	...
Woolen and Worsted Piece Goods	52	1.75	0.02†	0.10†	0.11†	4.16	4.64	65	5.2	1.6	99.0	...	84.3	124.9	...
		1.53	*2.00†*	*4.69†*	*5.71†*	*2.31*	*2.85*	*83*	*2.8*	*4.0*	*154.5*	...	*120.6*	*147.6*	...

RETAILERS

		5.96	*3.52*	*6.80*	*7.96*	*2.51*	*2.79*	*121*	*11.6*	*2.9*	*11.8*	...	*17.3*	*52.2*	...
Clothing, Installment	61	3.56	1.37	2.19	2.68	1.61	1.94	171	8.4	8.0	25.5	...	24.7	92.8	...
		2.64	*1.93†*	*3.58†*	*5.58†*	*1.15*	*1.52*	*217*	*6.4*	*12.6*	*48.7*	...	*37.0*	*147.0*	...
		4.35	*2.43*	*5.92*	*7.82*	*3.36*	*4.73*	**	*4.2*	*8.6*	*15.3*	*60.2*	*67.0*	*32.4*	*67.1*
Clothing, Men's and Boys'	81	2.69	0.41	1.06	1.61	2.26	3.39	**	3.5	17.6	38.4	84.4	99.6	52.9	98.2
		2.08	*2.45†*	*7.62†*	*13.64†*	*1.21*	*2.32*	**	*2.7*	*32.2*	*65.7*	*100.0*	*121.7*	*84.1*	*122.0*
		4.87	*0.98*	*2.66*	*5.32*	*3.81*	*6.34*	*42*	*18.2*	*20.5*	*9.7*	...	*23.7*	*88.2*	...
Coal	24	2.42	0.30†	0.56†	1.50†	1.90	4.90	62	14.2	47.5	33.2	...	39.2	112.0	...
		1.68	*1.17†*	*1.51†*	*2.57†*	*1.34*	*2.10*	*80*	*10.9*	*76.8*	*53.1*	...	*63.5*	*153.0*	...
		5.07	*3.06*	*6.20*	*11.44*	*3.29*	*5.48*	**	*7.6*	*13.3*	*11.0*	*46.2*	*55.2*	*34.1*	*74.9*
Department Stores, All	342	3.45	1.16	2.70	4.94	2.31	4.13	**	5.9	37.9	24.6	65.8	71.2	56.0	103.3
		2.32	*0.12†*	*0.27†*	*0.56†*	*1.61*	*3.15*	**	*4.0*	*58.6*	*41.5*	*94.5*	*94.5*	*81.9*	*147.0*
By Size (Tangible Net Worth) Classes—Medians Only															
Under $200,000	144	3.23	0.31	0.77	1.05	2.38	3.44	**	4.2	17.7	24.9	65.7	81.5	44.8	100.8
$200,000 to $500,000	76	3.17	1.94	4.46	8.07	2.36	4.08	**	6.5	26.9	23.2	71.2	63.6	64.2	82.0
Over $500,000	122	3.76	1.68	3.88	7.16	2.31	4.26	**	7.0	43.7	17.2	55.5	58.6	59.1	104.1
		6.29	*1.33*	*4.26*	*6.72*	*3.17*	*4.92*	**	*6.5*	*3.1*	*12.5*	...	*34.5*	*36.7*	...
Fur Garments	33	3.70	0.08	0.18	0.23	2.23	3.02	**	4.6	9.2	31.4	...	52.9	66.6	...
		2.25	*4.17†*	*7.27†*	*8.38†*	*1.35*	*2.18*	**	*3.1*	*23.6*	*64.6*	...	*84.1*	*120.7*	...
		5.52	*4.61*	*6.88*	*7.35*	*1.92*	*2.23*	*186*	*6.0*	*2.9*	*14.3*	*55.3*	*18.7*	*64.8*	*70.6*
Furniture, Installment	185	3.49	0.10†	0.12†	0.16†	1.24	1.54	258	5.1	14.5	29.4	83.0	28.4	109.0	86.4
		2.28	*4.30†*	*3.98†*	*4.90†*	*0.88*	*1.09*	*330*	*3.7*	*28.0*	*59.8*	*113.5*	*47.9*	*171.5*	*108.9*
		5.49	*3.46*	*6.94*	*10.49*	*2.47*	*3.52*	**	*4.2*	*5.0*	*4.7*	...	*57.6*	*13.3*	...
Hardware	39	3.27	0.74	1.30	2.04	1.71	2.75	**	3.0	35.4	23.1	...	74.0	39.7	...
		2.46	*0.36†*	*0.41†*	*0.67†*	*1.14*	*1.87*	**	*2.6*	*62.8*	*35.4*	...	*101.8*	*67.5*	...
		5.75	*3.78*	*7.43*	*12.46*	*1.68*	*3.54*	**	*3.8*	*3.4*	*5.9*	...	*72.3*	*16.8*	...
Jewelry (No Installment)	21	4.13	1.04	1.33	1.75	1.30	1.65	**	2.2	8.0	16.2	...	91.1	43.6	...
		2.70	*3.00†*	*2.46†*	*3.36†*	*0.84*	*1.11*	**	*1.3*	*13.9*	*32.1*	...	*102.5*	*69.9*	...
		4.00	*2.75*	*6.48*	*10.17*	*2.36*	*3.80*	*55*	*5.3*	*18.8*	*9.5*	*48.1*	*48.2*	*31.4*	*66.7*
Lumber	125	3.01	0.87	1.52	2.66	1.52	2.83	*80*	3.9	38.8	21.6	*71.5*	*61.7*	*65.3*	*87.2*
		2.09	*1.14†*	*1.24†*	*2.21†*	*1.11*	*1.91*	*110*	*3.1*	*56.6*	*42.5*	*90.7*	*85.9*	*108.6*	*102.8*
		4.69	*1.33*	*4.51*	*7.46*	*3.38*	*4.82*	**	*4.6*	*8.6*	*18.3*	...	*77.3*	*23.1*	...
Men's Furnishings	32	2.76	0.73	1.70	2.05	2.27	2.87	**	2.9	22.9	27.1	...	108.0	44.9	...
		2.17	*1.00†*	*1.68†*	*2.08†*	*1.64*	*2.04*	**	*2.4*	*36.4*	*61.4*	...	*141.4*	*81.4*	...
		3.85	*1.77*	*8.39*	*12.18*	*4.79*	*6.71*	**	*5.4*	*6.1*	*16.8*	...	*81.8*	*23.4*	...
Shoes, Men's and Women's	36	3.14	0.13	0.39	0.60	2.99	4.64	**	3.2	18.6	31.4	...	114.1	34.1	...
		2.33	*2.80†*	*5.60†*	*7.52†*	*1.80*	*2.55*	**	*2.6*	*28.9*	*43.1*	...	*132.2*	*48.6*	...
		3.56	*1.18*	*6.70*	*10.90*	*5.29*	*9.58*	**	*13.6*	*11.6*	*20.4*	*40.6*	*41.3*	*59.5*	*85.7*
Women's Specialty Shops	169	2.68	0.23	0.82	1.28	3.34	6.62	**	8.9	23.5	37.3	67.9	68.6	102.2	101.0
		1.99	*2.03†*	*4.08†*	*6.13†*	*1.98*	*3.01*	**	*5.9*	*45.1*	*60.6*	*94.4*	*93.4*	*145.5*	*126.3*

† Loss. * This percentage was determined only for those lines of business and for those years in which a reasonable number of concerns had outstanding long-term liabilities. ** Part of the annual sales were for cash and part were on charge account. To obtain an average collection period it would have been necessary to deduct the amount of the cash sales from the annual net sales and then to have determined the average number of days which the accounts and notes receivable were outstanding based upon the resultant yearly charge sales. This necessary information was available in too few cases to obtain an average collection period which could be used as a broad guide.

Net Profits—Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; reserve for taxes; reduction in the value of inventory to cost or market, whichever lower; charge-offs for bad debts; all miscellaneous reserves and adjustments; but before dividends or withdrawals.

Net Sales—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

Net Sales to Inventory—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover which would be determined by reducing the annual net sales by the percentage of gross profit, and then dividing the resulting figure by the statement inventory.

Net Working Capital—The difference between the sum of the current assets and the sum of the current debt.

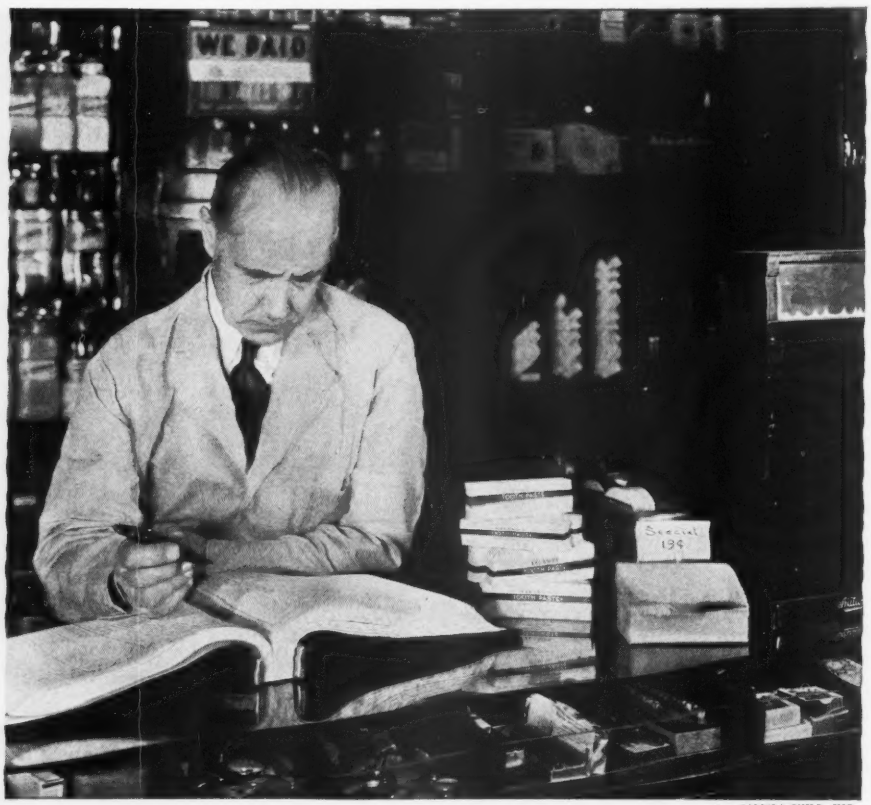
Tangible Net Worth—The sum of all preferred stocks (if any) and common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good-will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stock, organization expenses, and underwriting discounts and expenses.

Turnover of Tangible Net Worth—The quotient obtained by dividing the annual net sales by the tangible net worth.

Turnover of Net Working Capital—The quotient obtained by dividing the annual net sales by the net working capital.

net worth for 1938 than for 1937. The two retail lines which reflected an increased turnover were coal and shoes.

The smaller year-end inventories are revealed by the median ratio of *inventory to net working capital*, one of the most important practical, financial guides to the management staffs of commercial and industrial business enterprises. In fifteen of the wholesale trades and nine of the retail lines this particular median ratio was lower in 1938 than in 1937. The downward trend is much more noticeable in wholesaling than in retailing. This year-end inventory condition is confirmed by the two most recent annual DUN & BRADSTREET inventory surveys, which show a greater percentage drop between these two year-end dates in the wholesale than in the retail field. Estimated inventories of wholesalers at the end of 1937 amounted to $2,543,000,000 and at the end of 1938, $2,365,000,000, a decrease of 7 per cent. Estimated inventories of retailers at the end of 1937 amounted to $5,033,000,000 and at the end of 1938, $4,757,000,000, a decrease of approximately 5½ per cent.



CAMERA GUILD, INC.

Continuing Decline

Department stores, which represent the more important of the twelve divisions of retail trade given in the table on page 11, have shown a downward trend in inventories for the past two years. The inter-quartile ratios of this division of retail distribution for 1938 are based upon the study of the figures of 342 independent department stores.

In addition to the inter-quartile range of ratios for the entire group of department stores, it has been practicable to derive medians for these concerns as they divide into three size classes according to amount of invested capital: 144 with a tangible net worth of less than $200,000 each, 76 with a tangible net worth ranging between $200,000 and $500,000, and 122 with a tangible net worth above $500,000. The breakdowns show (1) a decreasing turnover of tangible net worth as the size of department stores increases, (2) an increasing turnover in net working capital as the tangible net worth goes up, (3) a faster turnover in inventory in the larger stores, probably due to more efficient managerial guidance, (4) a larger than proportionate increase in investment in fixed assets in the larger stores, and (5) a smaller current debt as the size expands. These are all rather interesting, and not exactly expected results.

The smaller current liabilities are disclosed by the familiar ratio of current financial health, *current debt to tangible net worth*. Sixteen of the twenty-four wholesale lines and nine of the twelve retail lines disclose a decrease during the year in this ratio. Here again the changes seemed to be more marked in the wholesale than in the retail field. With smaller inventories there is always the natural tendency that current liabilities will be lower.

Profits Less

The less profitable operations in 1938 are shown by the medians of each of the three profit ratios: *net profits on net sales, net profits on tangible net worth*, and *net profits on net working capital*. Smaller profit ratios are shown for 1938 operations than for 1937 in all but four of the wholesale divisions and in every one of the retail lines. For 1937 operations only three of the wholesale lines and not one of the retail lines showed a loss in the median figure. For 1938 the downward trend brought losses in the median ratio to six wholesale divisions and two retail divisions. A remarkable change in the other direction may come to light when the last page is turned on the year 1939 and the figures are available for another year's comparisons.

BUSINESS QUIZ VI—

around the world in eighteen minutes

DECORATIONS BY CLARENCE SWITZER

WITH its accent on atlas, this quiz is for travellers and armchair travellers. "Economic geography," the professors would say, but it's simply about cities and States, canals and commodities. *Do you know, for example, what region* is the greatest potential market for low-cost houses, how and where human beings and animals compete for silage, or what big cities get along without navigable water?

The scoring scheme is slightly more complex than in past quizzes, but on the other hand a perfect score is 105, which ought to mean that even a fair record will sound pretty good. Each right answer to the 15 questions on this page counts one point; each answer to the next 16 questions on the *next two pages counts five points, and on the* last ten questions, again, each answer is worth one point. $15 + (16 \times 5) + 10 = 105$, Q.E.D.

Mathematicians know what Q.E.D means, all right, but sales managers, purchasing agents, and top-executives with a knack for keeping miscellaneous knowledge in hand ought to make the best showing. Trial and error in our testing kitchen *suggests that 80 per cent is a good score, and no one* should be ashamed of 70.

To readers who make a perfect score—105—DUN'S REVIEW will send a suitably engraved Certificate of Distinction. Answers on page 47.

1.—15. Each of the following cities is commonly associated with one of the following products or phenomena of civilization. Can you match them, writing *the correct letter in the square beside each?*

(One point for each correct answer.)

1.	Akron	A.	Automobiles
2.	*Atlantic City*	B.	*Baked Beans*
3.	Boston	C.	Boardwalks
4.	*Brooklyn*	D.	*Bureaus and cabinets*
5.	Chicago	E.	Cameras
6.	Cincinnati	F.	Collars and shirts
7.	Detroit	G.	Dodgers
8.	Duluth	H.	Insurance policies
9.	Hartford	I.	Iron ore
10.	Los Angeles	J.	Meat Packing
11.	New York	K.	Motion pictures
12.	Pittsburgh	L.	Playing cards
13.	*Rochester*	M.	*Skyscrapers*
14.	Troy	N.	Steel
15.	Washington	O.	Tires

16. In recent years, 1934-1938, only one of these commodities has been among the United States' three most important imports.

- ☐ A. Silk
- ☐ B. Rubber
- ☐ C. Vegetable oils
- ☐ D. Tin

17. The largest United States city not on navigable water is

- ☐ A. Indianapolis
- ☐ B. Worcester
- ☐ C. Denver
- ☐ D. Pittsburgh

18. From country to country, the higher the standard of living

- ☐ A. The more corn is used for human food and the less fed to animals
- ☐ B. The more corn is fed to animals and the less used for human food
- ☐ C. The more human beings are fed to animals and the less animals are fed to human beings
- ☐ D. The less animals and human beings are fed their corn in liquid form

19. From 1910 to 1937 per capita consumption of tobacco products in the United States increased about

- ☐ A. 7 per cent
- ☐ B. 27 per cent
- ☐ C. 47 per cent
- ☐ D. 67 per cent

20. One of these canals has more traffic (tonnage) than any other

- ☐ A. Suez
- ☐ B. Panama
- ☐ C. "Soo" (Sault Ste. Marie)
- ☐ D. Erie

21. From 1900 to 1930 the age of the average United States consumer shifted from

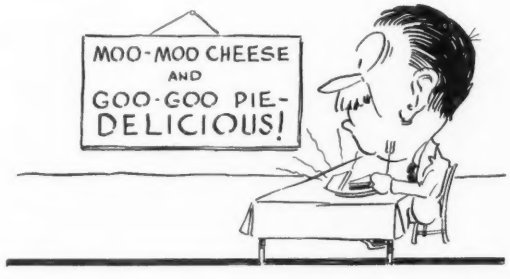
- ☐ A. 26 years to 29
- ☐ B. 30 years to 35
- ☐ C. 34 years to 30
- ☐ D. No change

22. In the United States the State which produces the most oil is

- ☐ A. Oklahoma
- ☐ B. Pennsylvania
- ☐ C. California
- ☐ D. Texas

23. Associated with the opening up of an area of rubber plantations in Liberia is

- ☐ A. Fisk
- ☐ B. Firestone
- ☐ C. Goodrich
- ☐ D. Goodyear



24. Pie served in restaurants must be accompanied by a square of native cheese in

- ☐ A. Wisconsin
- ☐ B. Minnesota
- ☐ C. New York
- ☐ D. Iowa

25. The railroad which advertises that it follows "the water level route" is the

- ☐ A. Pennsylvania
- ☐ B. Yazoo & Mississippi Valley
- ☐ C. Chesapeake & Ohio
- ☐ D. New York Central

26. If Cotton is King, the State most royalist is

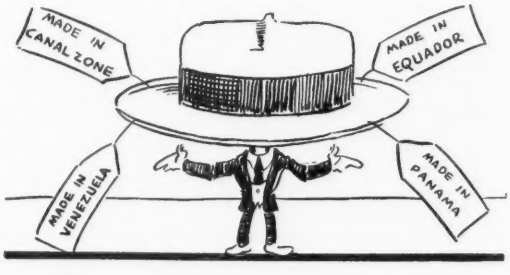
- ☐ A. Texas
- ☐ B. Mississippi
- ☐ C. Alabama
- ☐ D. Oklahoma

27. Only one of these four does *not* have the dollar as its unit of currency

- ☐ A. Canada
- ☐ B. Straits Settlements
- ☐ C. Brazil
- ☐ D. Hong Kong

28. In every one of the last 25 years, more lumber than from any other State has come from

- ☐ A. Oregon
- ☐ B. Michigan
- ☐ C. Washington
- ☐ D. Louisiana

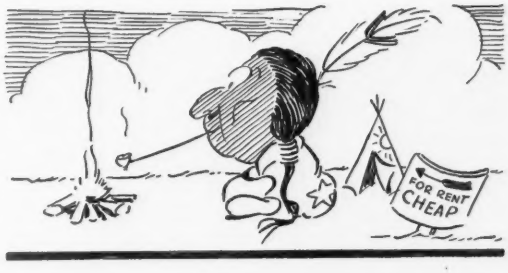


29. Most of our Panama hats come from

- ☐ A. Venezuela
- ☐ B. Canal Zone
- ☐ C. Equador
- ☐ D. Panama

30. In the Western Hemisphere the country or colonial possession with the greatest population density (more than three times as great as that of the next) is

- ☐ A. Cuba
- ☐ B. Bermuda
- ☐ C. French West Indies
- ☐ D. Mexico



31. The region which is generally thought to have the greatest shortage of low-cost houses, those which would sell for $2,000 to $3,000, is

- ☐ A. New England
- ☐ B. Pacific Coast
- ☐ C. East North Central
- ☐ D. South Atlantic

32.—41. There are in the world 14 cities beginning with the letter "M" whose population is more than a half-million. Can you name 10?

(one point for each)

32. .....
33. .....
34. .....
35. .....
36. .....
37. .....
38. .....
39. .....
40. .....
41. .....

BLAST FURNACE, SLOSS-SHEFFIELD STEEL & IRON COMPANY—PHOTO BY CHARLES PHELPS CUSHING

EXECUTIVE COMPENSATION

Payments for executives' services by very large and somewhat smaller companies, 1928-1936, as they varied from year to year and compared with sales volume, profits, and dividends.

JOHN CALHOUN BAKER

Associate Director of Research,
Harvard Graduate School of Business Administration

THE dearth of information about executive compensation has made this area, as well as the larger one of business profits and their division, one of the least satisfactory segments of business knowledge.

Only recently has it become possible to examine carefully payments to executives. In 1933 the Senate directed the Federal Trade Commission to obtain from each of the companies listed on the New York Stock Exchange data on salaries for each year from 1928 to 1933. From 1934 to the present time somewhat similar statistical information has been collected and made available by the Securities and Exchange Commission.

The purpose of this study[1], which is primarily an excursion into the factual side of the subject, is threefold: (1) to indicate the size of executive payments by large companies and by smaller ones, as percentages of earnings, as percentages of sales, and in actual dollar amounts; (2) to examine the fluctuations in these payments over a period of years; and (3) to examine the share of earnings paid to executives and to stockholders.

Size of Companies

Figures for a group of 51 companies, each with assets over $100,000,000 in 1929 and for a group of 53 companies with assets less than $10,000,000 in 1936 were analyzed over the 1928-1936 period. In previous studies[2] by the author it has become clear that the size of a corporation, as measured by assets, affected payments to executives, both in dollar amounts and as percentages of earnings and sales.

Companies with assets of less than $10,000,000 may still be far from "small"; the comparison is really one of large and not-so-large companies. Only in a relative sense can we call them large and small.

The principal conclusions toward which this study points are that the large companies pay their top executives considerably more in dollars than do the smaller companies, but that large ones pay to their executives a much lower percentage of their sales and earnings. A collateral conclusion, the large companies paid a much larger share of their earnings to stockholders, relative to executive compensation, than did the small companies.

It is essential to define clearly just what is meant by the terms "executives" and "earnings," particularly when

[1] The author wishes to acknowledge his indebtedness to the Harvard University Committee on Research in the Trade Cycle and to the Milton Fund for a grant of money which enabled him to pursue the research on which a part of his article is based. The original study was reported in the *Quarterly Journal of Economics*, May, 1939, (Harvard University Press, Cambridge, Mass.); it is here somewhat condensed.

[2] Baker, John C., *Executive Salaries and Bonus Plans*, McGraw-Hill, 1938.

I. Fifty-one Companies With Assets More Than $100,000,000—Executive Compensation as a Percentage of Earnings, 1929 and 1936; Changes in Compensation, 1928-1936

(Percentage figures are median averages; index numbers, 1929 = 100, are medians* of dollar amounts)*

Company	Executive Compensation as a Percentage of Earnings		Number of Executives		Indexes of Executive Compensation (1929 = 100)						
	1929	1936	1929	1936[2]	1928	1930	1931	1932	1934	1935	1936
United States Steel Corporation	0.5	1.5	13	..[3]	82	103	85	79	67	76	76
Kennecott Copper Corporation	0.5	1.6	7	12	84	121	116	110	123	127	152
R. J. Reynolds Tobacco Company	0.6	1.0	12	12	99	102	102	102	167	157	158
Shell Union Oil Corporation	1.2	1.0	5	8	103	96	103	68	76	58	92
Anaconda Copper Mining Company	1.2	2.3	10	..[3]	126	100	93	73	46	46	51
Marshall Field & Company	1.3	7.9	8	9	100	177	235	167	188	211	249
Standard Oil Company of California	1.3	2.6	11	12	90	116	109	109	100	107	107
The Texas Corporation	1.3	1.2	15	15	64	93	61	53	54	49	74
Standard Oil Company (New Jersey)	1.4	0.6	20	12	58	106	77	56	40	37	37
The Ohio Oil Company	1.4	2.2	8	11	95	118	127	128	95	97	101
The Goodyear Tire & Rubber Company, Inc.	1.5	2.2	16	14	103	101	95	85	87	88	88
Phillips Petroleum Company	1.5	..[3]	8	..[3]	99	105	94	104	82	101	..[3]
Wheeling Steel Corporation	1.6	4.8	13	14	87	100	94	74	165	..[3]	177
The Youngstown Sheet & Tube Company	1.6	2.3	18	16	156	191	149	79	67	77	80
American Radiator & Standard Sanitary Corporation	1.7	3.8	7	7	..[3]	87	70	67	58	87	87
Atlantic Refining Company	1.9	5.0	8	11	85	94	112	92	118	124	121
International Shoe Company	1.9	3.4	24	23	101	102	84	85	89	..[3]	92
Eastman Kodak Company	2.1	3.3	11	14	107	113	116	120	94	123	134
E. I. duPont de Nemours & Company, Inc.	2.1	2.2	27	..[3]	95	69	65	40	..[3]	89	120
Consolidated Oil Corporation	2.2	4.8	13	15	120	110	97	121	143	146	173
Sears Roebuck & Company	2.5	..[3]	10	..[3]	281	104	77	47	..[3]	..[3]	..[3]
Tide Water Associated Oil Company	2.6	3.8	6	19	91	66	53	49	43	45	100
United Fruit Company	2.7	2.3	16	18	99	107	103	70	55	63	69
American Smelting & Refining Company	2.7	3.1	18	16	92	105	87	72	83	82	88
Westinghouse Electric & Mfg. Company	2.8	..[3]	21	..[3]	78	133	80	63	..[3]	..[3]	..[3]
National Dairy Products Corporation	3.0	6.2	27	..[3]	80	113	134	125	99	107	146
Inland Steel Company	3.2	4.2	14	..[3]	81	92	78	65	85	112	149
Phelps Dodge Corporation	3.6	2.7	10	8	89	123	95	92	88	83	88
Radio Corporation of America	3.8	3.7	10	10	58	81	53	45	29	37	38
The Firestone Tire & Rubber Company	4.0	3.5	11	13	98	92	74	71	95	..[3]	98
The American Sugar Refining Company	4.2	6.1	14	13	91	88	88	75	76	77	76
The Borden Company	4.3[4]	6.3	15	18	73	117	125	71	58	57	58
Continental Oil Company	4.4	2.7	14	8	92	69	61	60	62	48	54
R. H. Macy & Company, Inc.	4.7	7.6	4	6	98	100	104	97	88	78	91
The American Rolling Mill Company	5.0	5.9	15	13	88	117	85	72	76	107	130
International Harvester Company	5.3	1.7[5]	13	15	85	71	22	18	18	20	25[5]
Liggett & Myers Tobacco Company	5.3	2.7	12	12	88	97	60	62	..[3]	40	53
Warner Brothers Pictures, Inc.	5.5	8.7	20	15	..[3]	106	140	87	67	73	76
Corn Products Refining Company	6.0	4.8	9	..[3]	87	112	107	62	56	46	55
The American Tobacco Company	6.1	5.1	21	17	78	175	183	116	38	52	57
Montgomery Ward & Company, Inc.	6.2	2.2	8	13	100	77	50	40	33	40	50
S. S. Kresge Company	6.2	5.2	9	11	102	92	62	32	59	58	63
Pure Oil Company	6.2	2.8	12	10	65	86	59[6]	58[6]	48	51	56
Jones & Laughlin Steel Corporation	6.3	7.6	11	12	82	59	47	41	36	27	30
American Locomotive Company	6.6	20.5	16	..[3]	78	93	80	67	54	53	61
Bethlehem Steel Corporation	6.9	4.6	17	..[3]	58	65	31	27	26	26	25
F. W. Woolworth Company	7.4[7]	..[3]	30	..[3]	98	87	75	60	..[3]	..[3]	..[3]
National Lead Company	7.7	5.7	22	17	72	71	59	46	43	44	52
Pittsburgh Coal Company	9.0	..[8]	7	9	84	74	71	69	123	98	98
United States Rubber Company	16.6	2.7	14	8	119	80	78	70	85	72	75
American Woolen Company, Inc.	..[8]	9.2	10	8	112	88	89	66	54	53	51
Median*	3.0	3.5[9]	13	13[10]	91	100	85	70	72	75[11]	80

* The middle figure in a list of numbers arranged in order by size.

[1] Figures for 1928-1932 are based on data furnished to the Federal Trade Commission, while those for 1934-1936 are based on figures reported to the Securities and Exchange Commission. Usable data for 1933 were not available. In some instances, it appeared desirable to adjust the figures for 1934-1936 to make them more nearly comparable with those for the earlier years; in a few cases it was necessary to apply the reverse procedure. Several of the compensation figures, especially for the last three years, are estimates. [2] Since the number of executives employed in 1936 was in many cases not clearly stated, several of the figures shown are estimates. [3] Usable data not available. [4] The earnings figures used include estimates for interest at 6 per cent of the debt outstanding. [5] The 1936 data cover ten months only. Estimates for twelve months were considered in computing the medians. [6] Because of a change in fiscal year, data for January-March, 1932, are included in the figures for both 1931 and 1932. [7] Earnings include dividends from foreign subsidiaries. [8] Company reported a deficit before executive compensation and interest. In computing the median, the percentage was considered to be unusually high. [9] Estimates for two companies for which figures are not shown were considered in computing the median. [10] The median reflects estimates for nine companies for which figures are not shown. [11] The median reflects an estimate for one company for which a relative is not shown.

II. Fifty-three Companies With Assets Less Than $10,000,000—Executive Compensation as a Percentage of Earnings, 1929 and 1936; Changes in Compensation, 1928-1936

(Percentage figures are median averages; index numbers, 1929 = 100, are medians* of dollar amounts)*

Company	Executive Compensation as a Percentage of Earnings		Number of Executives		Indexes of Executive Compensation (1929 = 100)						
	1929	1936	1929	1936	1928	1930	1931	1932	1934	1935	1936
Motor Products Corporation	3.2	9.3	4	7	72	100	75	75	132	139	197
The National Acme Company	3.4	8.0	7	7	106	157	89	77	78	85	86
Budd Wheel Company	3.6	12.5	7	6	47	329	250	115	94	100	171
Cutler-Hammer, Inc.	4.0	8.0	6	5	92	76	56	42	55	83	103
Hamilton Watch Company	4.1	7.1	5	3	96	108	98	76	39	45	94
The Cream of Wheat Corporation	4.2	4.8	3	2	93	104	104	98	93	85	86
The Bon Ami Company	4.4	6.5	3	6	121	100	103	121	174	161	125
Chicago Yellow Cab Company, Inc.	5.4	12.4	7	7	105	102	94	84	85	83	84
Campbell, Wyant & Cannon Foundry Co.	5.5	6.3	4	4	87	102	97	78	71	75	93
Adams-Millis Corporation	6.3	8.7	4	4	69[4]	116	107	97	93	75	78
Spicer Manufacturing Corporation	6.4	15.6	7	8	101	109	99	99	88	101	188
Eureka Vacuum Cleaner Company	6.6	14.6	4	5	100	89	73	43	39	41	48
Briggs & Stratton Corporation	7.1	8.1	3	5	148	78	76	60	69	72	76
Thatcher Manufacturing Company	7.5	7.4	5	6	86	96	70	63	70	77	109
White Rock Mineral Springs Company	7.8	14.6	6	5	63	81	80	76	82	75	74
S. R. Dresser Manufacturing Company	8.1	15.1	5	6	162	106	99	77	74	75	88
Air-Way Electric Appliance Corporation	8.4	..[5]	4	4	96	85	57	41	44	44	19
Ritter Dental Manufacturing Co., Inc.	8.7	15.3	6	8	86	100	74	59	43	44	58
Weston Electrical Instrument Corporation	8.9	20.7	5	4	86	92	76	64	63	66	71
Transue & Williams Steel Forging Corp.	9.1	41.0	3	3	135	104	99	66	64	128	142
National Enameling & Stamping Company	9.5	12.8	2	3	222	111	151	144	182	..[6]	142
United States Hoffman Machinery Corp.	10.0	10.0	5	3	136	139	109	93	67	68	77
The Vulcan Detinning Company	10.1	..[6]	5	5	98	104	100	88	80	80	79
Scott Paper Company	10.1[7]	9.0	9	..[6]	96	104	86	78	81	..[6]	96
The Deisel-Wemmer-Gilbert Corporation	10.2	18.0	8	8	..[6]	108	115	113	127	130	135
Vadsco Sales Corporation	10.9	85.6	6	7	45	80	70	64	64	62	58
Clark Equipment Company	11.0	..[6]	6	8	107	67	54	49	56	58	..[6]
The Fairbanks Company	11.3	45.5	4	4	94	117	93	88	86	86	85
Real Silk Hosiery Mills, Inc.	11.7[7]	45.0	6	10	70	59	51	41	41	45	42
Federal Motor Truck Company	12.0	16.8	5	5	85	97	82	38	47	51	49
Savage Arms Corporation	12.3	22.8	4	4	82	107	77	61	57	62	72
General Bronze Corporation	14.0	..[5]	11	9	67	123	108	58	25	28	40
Telautograph Corporation	14.3	23.2	3	3	91	109	120	76	77	74	74
The Sweets Company of America, Inc.	14.8	31.8	3	3	84	103	85	66	95	146	149
The Bullard Company	15.0	17.0	11	11	101	94	79	71	53	58	80
Federal Screw Works[2]	15.4	36.3	9	6	61	84	61	41	17	20	21
Doehler Die Casting Company	15.5	12.1	8	8	80	111	71	45	54	72	88
United American Bosch Corporation	15.8	..[5]	6	7	93	99	134	83	80	94	111
American Zinc, Lead & Smelting Company	16.3	61.9	9	9	108	80	69	67	62	68	75
Intertype Corporation	16.4[7]	23.3[7]	12	9	63	74	74	65	66	67	77
Artloom Corporation	16.6	77.3	8	6	147	95	92	62	41	41	51
Zonite Products Corporation	17.9	37.3	4	6	55	151	160	131	62	71	76
Atlas Tack Corporation	23.5	31.2	2	6	146	92	99	27	86	60	150
Phillips-Jones Corporation	24.1	..[6]	6	..[6]	83	117	123	90	115	98	..[6]
American Colortype Company	25.0	30.0	10	10	98	113	93	66	42	41	45
Van Raalte Company, Inc.	25.9	16.1	4	6	113	100	98	107	99	155	170
Reynolds Spring Company	26.0	11.3	5	6	86	92	81	56	73	104	124
Webster-Eisenlohr, Inc.	31.6	..[5]	5	8	88	139	125	106	95	95	127
Belding-Heminway Company	78.7	13.5	5	5	67	74	65	41	56	59	83
Century Ribbon Mills, Inc.	122.5	48.9	5	5	100	100	82	100	94	101	100
Crosley Radio Corporation[8]	..[5]	5.1	4	5	93	54	42	24	40	53	61
The Gabriel Company	..[5]	..[5]	3	3	82	116	99	90	46	41	41
The Standard Commercial Tobacco Co.	..[5]	31.3	6	6	165	75	70	88	59	138	51
Median*	11.0	16.1	5	6	93	100	89	75	69	75[8]	83

* The middle figure in a list of numbers arranged in order by size.

[1] It was necessary to adjust certain of the 1934-1936 figures obtained from the Securities and Exchange Commission in order to make them more nearly comparable with the Federal Trade Commission data for 1928-1932. Usable data for 1933 were not available. [2] Figures for 1929 reflect operations of a subsidiary not acquired until June 30, 1929. [3] Because of two changes in fiscal year, data for January through March, 1929, were omitted, while corresponding data for 1935 were used twice. [4] Figure covers data for nine months only. [5] Company reported a deficit before executive compensation and interest. In computing the median, the percentage was considered to be unusually high. [6] Usable data not available. [7] Earnings figures used include estimates for interest. [8] Median reflects estimates for two companies for which data were not available.

executive payments are to be related to earnings. What officers are included in the executive group? This naturally varies among companies, but the compensation figures submitted to the two Commissions were for the senior or "top" men, ordinarily described as "officers." For our purpose these men, consistently classified by the companies themselves as the men who devise and direct general corporation policies, compose the executive group. A characteristic list would include the chairman of the board of directors, the president, the vice-presidents, the secretary, the treasurer, and possibly the controller, the general manager, and certain directors.

"Executive compensation" refers to the total dollar payments made to executive officers. It includes the regular annual cash salary; additional cash payments, whether or not the company had a formal bonus plan; and any directors' fees. It does not include other types of compensation, such as warrants or options to purchase stock in a company, since the value of these depends on whether or not they are exercised and when, which in most cases could not be learned; nor are bonuses in stock included.

"Earnings"

"Earnings" is at best an arbitrary figure. For this study, the term "earnings" is defined as net income after all charges, including Federal taxes, depreciation and obsolescence, but before executive compensation and interest, principally on funded debt. Executive compensation is included in the earnings figures to relate the remuneration of officers to the results of their management. Thus a basis can be established for comparing the share of profit or net income diverted to executives and the share going to stockholders.

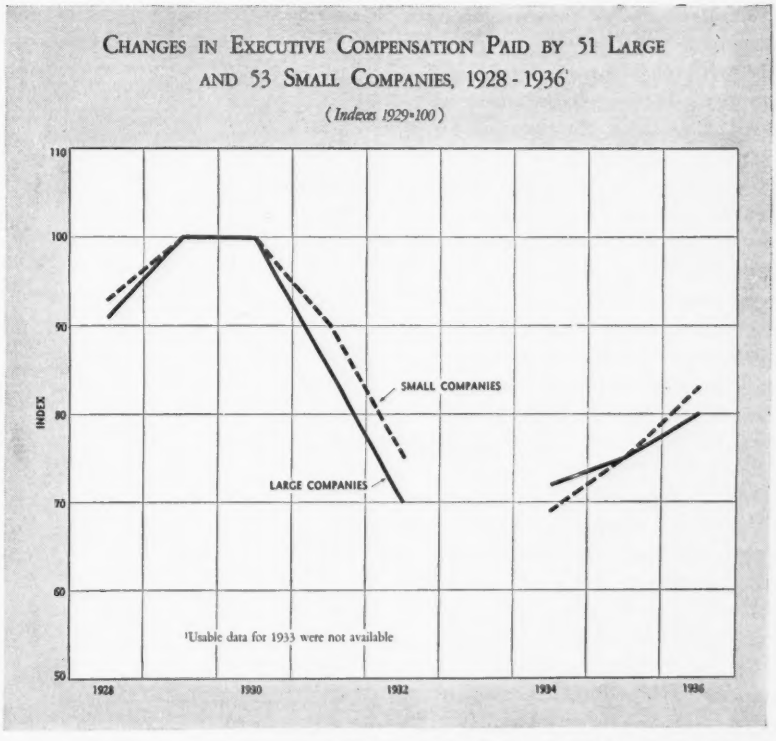
Over the 1929-1936 period the small companies typically considered five or six men as executives; the large companies, twelve to thirteen. The range in the number of men classified as executives by the various companies, however, is exceedingly wide (tables I and II).

In the accompanying tables some figures represent medians, while others are arithmetical averages. Overlarge or small top or bottom figures, which can shift an arithmetical average far out of line, have no effect on the median or middle figure in a list of numbers.

Over the 1928-1936 period, as the charted indexes on this page show, payments to executives by large and small companies followed closely the same pattern. Differences in the trends of the two lines are almost negligible. This indicates not that the two groups paid the same dollar amounts to their top men, but rather that increases and decreases from year to year were nearly equal in per cent. There is some evidence, however, that among the small companies executive compensation fell off more slowly after the 1929-1930 peak, and rose more sharply in response to recovery, than was the case among the large companies. In 1936 compensation of executives in the small companies was within 17 per cent of 1929, in large companies still 20 per cent below 1929.

Although these charted averages show a close parallel between large and small companies as groups, individual cases show less agreement. In 1936, 19 of the 51 large companies paid at least 25 per cent less to their executives than in 1929, but 13 other large companies paid more in 1936 than in 1929. Among the 53 smaller companies, 17 in 1936 paid less than 75 per cent of what they did in 1929, but 15 paid more.

A constantly recurring question in past years has been: What share of earnings is paid to executives? In the group of large companies the median payment to executives for 1929 was 3 per cent of earnings, and for 1936, 3.5 per cent; by small companies in 1929, 11 per cent of earnings; in 1936, 16.1



Large and small companies, as groups, paid far different dollar amounts to their top men, but increases and decreases from year to year percentagewise were nearly equal in per cent.

III. Distribution of Earnings by 51 Large and 53 Small Companies, 1928-1936

(Percentage figures are median averages; index numbers, 1929 = 100, are medians* of dollar amounts)*

	Share of Total Earnings — Per Cent			Index Numbers, 1929 = 100[1]								
Large Companies	1929	1936[2]	1928-1936[3]	1928	1929	1930	1931	1932	1933	1934	1935	1936
Executive compensation	3.0	3.5	4.9	91	100	100	85	70	..[4]	72	75[5]	80
Interest	7.0	5.2	13.6	..	..	..	..	..	..	..	..	..
Balance available for dividends	89.9	89.6	79.5	83	100	51	6	5[7]	17	34	51	71
Earnings	100.0	100.0	100.0	87	100	58	13	10	..[4]	42	51	69
Total dividends	46.9	60.1	70.5	77	100	106	77	32	12	42	54	81
Small Companies												
Executive compensation	11.0	16.1	25.5	93	100	100	89	75	..[4]	69	75[6]	83
Interest	0.0	0.0	0.0	..	..	..	..	..	..	..	..	..
Balance available for dividends	87.8	83.2	72.5	83	100	39	5[7]	26[7]	2	11	29	42
Earnings	100.0	100.0	100.0	85	100	42	0	23[7]	..[4]	17	34	50
Total dividends	43.6	58.2	61.7	80	100	99	54	5	0	0	27	53

* The middle figure in a list of numbers arranged in order by size.

[1] The index numbers are based on figures for all firms in the tables on pages 17 and 18 for which usable data were available. The index numbers for earnings and dividends, however, reflect no figures for companies which, respectively, sustained losses or did not pay dividends in 1929. In preparing indices for these three items, usable data for a maximum of two additional companies were not available in each group in certain other years, with the exception of 1928, when figures for a maximum of three large companies were lacking. Since many companies did not have interest bearing liabilities in 1929, no index numbers for this item were prepared.

[2] Figures for two large companies and two small companies were omitted in computing the median percentages for 1936.

[3] Data for 1933 were incomplete; hence figures for that year were omitted in the preparation of the averages for the combined period. Figures for six small and eight large companies cover seven years only; figures for two additional large companies cover the period 1928-1932.

[4] Usable data not available.

[5] Reflects an estimate for one firm for which data were not available.

[6] Reflects estimates for two firms for which data were not available.

[7] Deficit.

per cent (table III). To appreciate the true significance of these percentages, it must be remembered that earnings are defined as profits before executive compensation and interest. If earnings were defined in the usual way, as balance available for dividends, it would appear that an even larger percentage was paid to executives. The percentage of earnings paid by the group of smaller companies to executives is surprisingly high. Some of the individual corporate percentage payments appear even fantastic.

These percentages are likely to be misleading, unless one realizes the differences between the two groups of companies in absolute dollar amounts of both earnings and compensation. The large companies paid about five times more to executives in total dollar amounts in 1929 than the smaller companies paid, and six times more in 1936. However, the earnings of large companies were about 18 times as large as those of small companies in 1929, and 30 times as large in 1936. It appears that in smaller companies the extremely high percentage of executive compensation to earnings comes from low earnings rather than high dollar compensation.

Ratio to Sales

Another approach to executive compensation payments is a study of their relationship to dollar sales volume (table IV). Unfortunately, sales data over the 1928-1936 period are incomplete, particularly for the group of small companies; comparable sales figures could be secured for the entire period for only 17 small companies and 35 large companies. Among the small companies, the sales figures for all companies giving data in either 1929 or 1936 have been compared with the figures for the 17 companies, and since the medians are practically the same, it may be concluded that the latter are a fairly representative sample.

In 1929 the small companies paid to executives about 1.3 per cent of sales, on the average; in 1936, a slightly higher percentage. Among the large companies, both in 1929 and 1936, about 0.3 per cent of sales went to executives. The contrast between these percentages is striking, and supports the conclusion arrived at in the comparison of salaries and earnings—that small companies typically pay proportionately more to executives than large companies. Again, in certain companies the percentage of executive compensation to sales appears to be exceedingly high.

For about two-thirds of the small companies and at least three-fourths of the large companies in 1936, high dollar payments to executives accompanied high dollar sales and low dollar payments accompanied low dollar sales.

Comparisons

Overemphasis on data for a single year, whether relating to earnings, dividends, or payments to executives, often occurs in discussions of corporate affairs. Table III also presents the changes in these items for both groups over the entire 1928-1936 period. The percentages as well as the index numbers are median figures. It should be remembered that the range is wide for both large and small companies, for the entire period as well as annually.

Over this period large companies

IV. Compensation of Executives as a Percentage of Sales for 35 Large and 17 Small Companies,[1] 1928-1936

Year	Large Companies: Number of Companies	Large Companies: Executive Compensation as a Percentage of Sales: Median Average	Large Companies: Executive Compensation as a Percentage of Sales: Lowest and Highest	Small Companies: Number of Companies	Small Companies: Executive Compensation as a Percentage of Sales: Median Average	Small Companies: Executive Compensation as a Percentage of Sales: Lowest and Highest
1928	33	0.4[3]	0.1—1.1	17	1.3	0.6— 5.0
1929	35	0.3	0.1—3.2	17	1.3	0.3— 5.5
1930	35	0.3	0.2—2.0	17	1.7	0.4— 6.6
1931	35	0.4	0.2—3.9	17	2.1	0.7— 9.8
1932	35	0.4	0.1—3.8	17	2.4	0.5—19.8
1933	..	..[4]	.....[4]	..	..[4]	.....[4]
1934	33	0.4	0.1—2.5	17	2.0	0.3— 7.2[5]
1935	33	0.4[6]	0.1—2.3	17	1.6[6]	0.3—14.2
1936	33	0.3[3]	0.1—2.2	16	1.6	0.3—14.7
1928–1936[2]	35	0.4	0.1—2.8	17	1.7	0.5— 6.5

[1] Complete sales data were available in all years except 1928 for only 35 large companies and 17 small companies. Figures for additional companies were omitted, because of lack of usable compensation data.
[2] Data for 1933 omitted. Combined averages for three small and six large companies covered seven years only; usable figures for two additional large companies covered the period 1928-1932.
[3] The median reflects an estimate for one company.
[4] Usable data not available.
[5] The second highest percentage is shown; the highest was fantastically large.
[6] The median reflects estimates for two companies.

NEW YORK CENTRAL RAILROAD SHOP—PHOTO BY EWING GALLOWAY

typically paid only 4.9 per cent of earnings to executives, while small companies paid out 25.5 per cent—an extremely wide spread. Admitting the possibilities of bias, because more manufacturers of durable goods are included among the smaller companies, the conclusion still seems inescapable that smaller companies, over this period of years, paid their executives exceptionally high percentages of earnings. However, from year to year there is little difference in the indexes of dollar payments made by the two groups.

In 1929 the balance available for dividends for large and small companies was percentagewise, quite similar (table III). For 1936 and for the 1928-1936 period, the percentage for the smaller companies was 6 to 7 points below that for the large, indicating that their executives, as revealed in other data, were taking a larger proportional share, both in 1936 and for the entire period, than they did in 1929.

The percentages of earnings paid out in dividends in 1929 are roughly comparable for the large and small companies, 46.9 per cent for the former, and 43.6 per cent for the latter (table III). In 1936 dividend payments by the two groups were again almost identical, 60.1 per cent for large companies and 58.2 per cent for small companies. For the entire period, however, the difference is greater, 70.5 per cent for the large and 61.7 per cent for the small.

The fluctuations in the median dollar amounts paid in dividends, based on 1929, show that large companies paid higher dividends in 1930 than in 1929, while such payments by small companies showed practically no change in 1930, but declined very rapidly thereafter. Both groups reached a low point in 1933, but by 1936 the dividend payments by large companies were back to within 19 per cent of 1929, those by small companies to within 47 per cent.

The contrast between the two sizes of companies in the percentage of earnings going to executives as compensation and to stockholders as dividends was particularly marked. In 1929 large

companies paid stockholders over fifteen times more in dividends than they paid executives in compensation. In the same year small companies paid stockholders in dividends less than four times the amount they paid executives. In 1936 the difference was even more notable. Large companies distributed to stockholders nearly seventeen times the amount they did to executives. Small companies gave slightly over three and one-half times more to stockholders than to executives. For the entire 1928-1936 period, large companies typically paid from earnings over fourteen times more to stockholders than to executives; small companies, on the other hand, paid less than two and one-half times more to stockholders than to executives.

The figures most readily available on dollar amounts paid executives were those for payments to the three highest paid men, for average payments to all other executives exclusive of the three highest paid, and for the average payments to all executives (table V.)

Chief Executives

The highest paid executive in the group of large companies received on the average $101,000 in 1929 and $93,000 in 1936. The highest paid post in the group of small companies was $31,000 in 1929 and $25,000 in 1936. Among the small companies there was a tendency for payments to the second and third highest paid men to be larger in 1936, relative to the amounts received by the highest paid, than in 1929. This tendency, however, is not apparent among the large companies.

These figures also bear upon the ever present question: What is the average salary for executives in large and small companies? The average payment to the official classified as an executive in the large companies was $40,000 in 1929 and $35,000 in 1936. Similar payments in the small companies averaged $18,000 in 1929 and $13,000 in 1936.

Dollar payments to all executives were substantially higher in large companies than in small companies. This can be explained both by higher amounts paid to individual executives, and by larger number of executives. Large companies, for example, on the average paid their top executive $93,000 in 1936, compared with $25,000 for small companies in the same year. Large companies, however, clearly distributed a lower percentage of earnings to executives than did the small ones.

Per Cent of Sales

Large companies also paid to their executives a much smaller percentage of sales than did small companies. The percentage of earnings and sales paid to executives in both groups fluctuated widely among companies. Abrupt changes in sales and earnings, however, caused this, rather than adjustments in payments to executives.

The fluctuation in the total average dollar amounts paid to the executives over the 1928-1936 period differed little between the two groups of companies. During the 1932-1934 period the average for both groups was about 30 per cent below 1929, but by 1936 they had risen substantially; payments in the large companies were within 20 per cent, and in the small companies within 17 per cent, of 1929 levels. Total dollar compensation was so inflexible that it might fairly be regarded as a fixed charge—almost a wage scale for the management of $100,000,000 and $10,000,000 industrial corporations.

The statistics revealing the share of profits paid executives as compensation, and stockholders as dividends, in 1929, 1936, and throughout the period, are particularly significant. For the entire period there is a marked contrast between large company dividends, which were fourteen times the executive compensation, and small company dividends, which were but two and one-half times the amount paid executives.

V. Dollar Compensation of Executives by 44 Large and 46 Small Companies,[1] 1929 and 1936

	Large Companies		Small Companies	
	Amount (Median Average)	Comparison with Highest Paid Executive	Amount (Median Average)	Comparison with Highest Paid Executive
1929	*Thousands of Dollars*	*Per Cent*	*Thousands of Dollars*	*Per Cent*
Highest paid executive	101	100	31	100
Second highest paid executive	75	74	20	65
Third highest paid executive	59	58	12	39
All other executives	27	27	9[4]	29
Total executives	40	40	18	58
1936				
Highest paid executive	93	100	25	100
Second highest paid executive	64	69	18	72
Third highest paid executive[2]	48	52	11	44
All other executives[3]	24	26	7[4]	28
Total executives[3]	35	38	13	52

[1] Usable data for the three highest paid executives for both years were available for 44 large and 46 small companies. The figures for the last two items are slightly overstated, since total compensation includes that of all officers and directors reported to the Federal Trade Commission and the Securities and Exchange Commission, whereas the number of executives as determined for this study excludes those directors who received only nominal sums. Directors' fees could have been excluded in 1929, but since separate amounts for such fees were not specifically required by the Securities and Exchange Commission in 1936, directors' fees could not be excluded in 1936. For purposes of comparison, therefore, directors' fees have been for the most part included in both years.

[2] Information for 1936 concerning the three highest paid men did not always cover executives as defined for this study. Estimates were made in cases where only one of these executives was not in the executive group, whenever such estimates could be made within narrow limits. Figures for one large and five small companies were so estimated.

[3] These averages for 1936 are to be considered merely suggestive, since the total dollar amounts paid to executives in 1936 were, in a few cases, based in part on estimates made for use in the study, and in many instances the total number of executives employed, particularly in the large companies, was not clearly stated on the Securities and Exchange Commission Form 10K for 1936.

[4] Based on data for 40 firms. In each year six of the 46 firms had three or fewer executives.

EWING

BUSINESS DIARY

Event of the Month

World War II becomes a reality; President Roosevelt summons Congress to special session. . . . Federal legislature reconsiders the Neutrality Act and ponders ways to keep the United States out of conflict.

1 Britain and France send Reich ultimatums to cease Polish aggression. Apprehensive shivers in this country dull usual joy of long Labor Day week-end. Domestic grain prices soar as bonds toboggan in heaviest trading of year. Boston Federal Reserve Bank reduces rediscount rate from 1½ to 1 per cent.

2 War stocks boom on New York Stock Exchange. Frank Fuller breaks own Bendix air race record by crossing continent in 8 hours, 58 minutes.

3 Britain and France formally declare war against Reich. Athenia, British liner, is sunk.

4 Australians capture the Davis Cup.

5 Germans shell Warsaw. President proclaims United States' neutrality; bans shipment of munitions and war implements to belligerents. Stock Exchange is scene of hysterical buying in biggest day since October, 1937. End of Summer season for vacationists.

7 Federal Reserve reports excess funds of member banks at record high. Trading in domestic grain markets mounts to two-year peak.

8 Many stocks reach new 1939 levels.

10 Canada declares war.

11 President suspends sugar quotas to curb price rise.

12 Sugar futures drop single-day limit of 25 points.

13 Congress summoned to reconsider Neutrality Act.

16 New Jersey Supreme Court rules State's trade law prohibiting "loss leaders" unconstitutional.

During the Month

Pace of industry accelerated by war orders, automobile production, and railroad equipment plans. . . . Poland dies on Eastern Front as Western Front warfare proves stalemate. . . . 50,000 Americans flee Europe.

17 Russian troops enter Poland.

18 Charles M. Schwab dies. Reich and Soviet map partition of Poland. Steel operations at two-year high. War stocks suffer sinking spell.

19 Pound leads foreign exchange in first rally since declaration of war. Association of American Railroads announces plan for $100,000,000 expenditure to repair and replace old equipment.

20 Maritime Commission grants 25 per cent "emergency" increase to North Atlantic sailors on government-owned ships. Louis retains title in eleven-round bout with Pastor.

21 Congress convenes in special session; Roosevelt urges amendment of Neutrality Act.

22 In Robinson-Patman Act case, Philadelphia Federal Court upholds Federal Trade Commission's "cease and desist" order against A & P's acceptance of brokerage fees.

25 TNEC opens petroleum industry hearings. Pan-American neutrality conference assembles in Panama City.

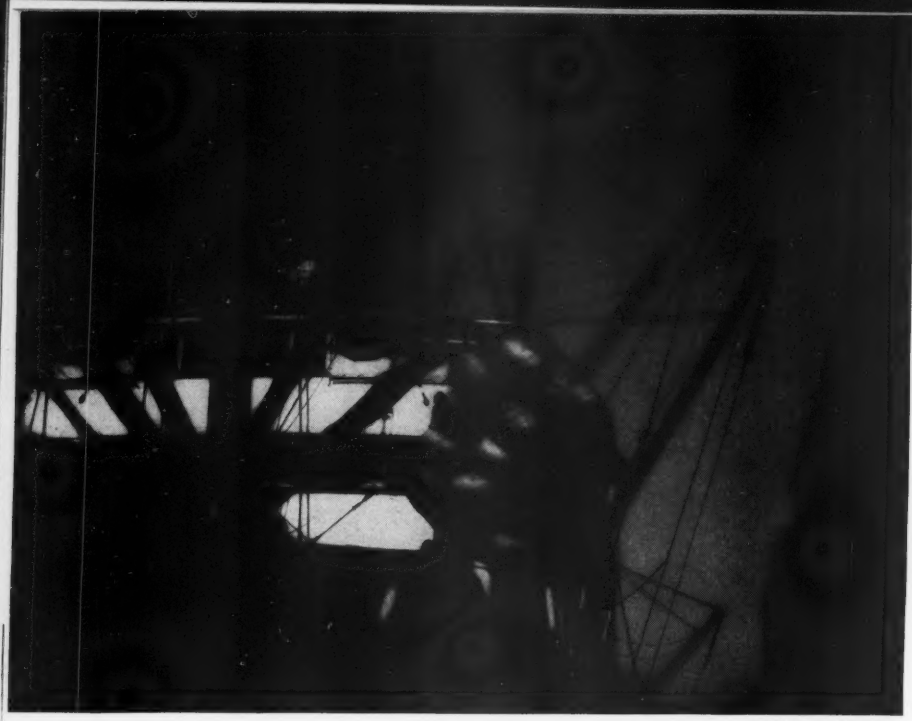
26 More two-year records broken by rail shares and domestic bonds. Small steel units raise prices.

27 Warsaw, in ruins, surrenders.

28 Estonia grants Soviet sea and air bases; admits 25,000 Soviet troops.

29 Texas announces resumption of week-end shutdowns in oil fields for October.

30 War news shares newspaper space with football battles from coast to coast.



CHARLES PHELPS CUSHING

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Business activity showed further substantial improvement between mid-September and the latter part of October. Trade participated in the recovery, as well as industry, but available information suggests that the absorption of goods rose at a somewhat slower rate than output. A healthy development, therefore, was the tendency of business men to steer a course nearer the "middle-of-the-road," to put emphasis again on inventory control rather than inventory accumulation.

AFTER the sudden change in buying habits, the spurt in sales, and the rapid advance in stock and commodity prices early in September, domestic business paused to draw breath and make a more sober appraisal of its position.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	97	114	80	102
February	94	116	79	99
March	93	118	79	98
April	101	118	77	92
May	101	118	76	92
June	104	114	77	97
July	108	114	83	101
August	108	117	88	103
September	109	111	91	110
October	110	102	96	
November	114	88	103	
December	121	84	104	

The watchful waiting of the European belligerents and the slowness with which war-inspired foreign demand was developing undoubtedly contributed to the re-emphasis on caution. Although majority opinion held the present situation favorable even without the large influx of war orders which had been confidently expected a few weeks ago, not a few business men and business conditions analysts included in their calculations the possibility of readjustments required either by the sudden termination of the conflict abroad or by an over-rapid recovery at home.

Reports from wholesalers and manufacturers indicate that the buying wave probably passed its crest in the third week of September. Since then, volume has continued heavy—with orders in some lines covering needs as much as six months ahead—but purchasing shows a restraint and discrimination which was not always evident a month ago.

Factory Payrolls

*U.S.B.L.S. Index (Revised)**
1923-1925 = 100

	1936	1937	1938	1939
January	76.9	94.6	75.3	83.7
February	76.6	100.1	77.5	86.0
March	80.5	105.9	77.6	87.6
April	82.6	109.7	74.9	85.5
May	84.0	110.1	73.2	85.0
June	84.2	107.6	71.1	86.5
July	83.5	105.2	71.1	84.4
August	87.3	108.7	77.3	89.9
September	87.2	104.9	81.6	93.7†
October	92.9	104.9	84.2	
November	94.4	93.3	84.4	
December	99.2	84.6	87.1	

* Adjusted to Census totals for 1937.
† Preliminary.

On the basis of business already booked, manufacturing activity has advanced by approximately 12 per cent in September and by close to 10 per cent in the first three weeks of October. As plants neared productive capacity in several of the important industries, the output curve tended to flatten at a level only slightly under the peak in the 1936-1937 recovery.

As is usual in times of business recovery, production of durable goods has moved ahead at a faster rate than the output of non-durable merchandise. In September the Federal Reserve Board index for durable goods output, seasonally adjusted, jumped to 103, from 92 in August. In June 1938 it was down to 50 per cent of the 1923-1925 average; in August 1937, up to 126. The index of non-durable goods production stood at 117 in September, compared with 115 in August; the recent low of this indicator was 91 in April 1938; the high of the preceding cycle, 126 in December 1936.

Most spectacular gains recently have been in machinery, railroad equipment, shipbuilding, steel, aircraft, and private construction industries. Freight cars ordered in September numbered 24,321, or more than double the total for the preceding eight months; ship construction in American yards as of

October 1 included 179 vessels, totalling 1,044,580 gross tons, against 130 of 693,115 tons on September 1, and 93 of 448,365 tons on October 1; orders for machine tools in September were estimated the largest on record; steel mills in September operated at the rate of 71 per cent of capacity, against 61 per cent in August, and in the first three weeks of October moved schedules up to 90 per cent of capacity, which represented the highest tonnage output in the industry's history.

Statistical evidence of the rapid acceleration of industrial orders and production abounds. Less comprehensive are the measures of consumption—yet of equal importance for an evaluation of the current trend.

Certainly, the pace at which goods are moving into the hands of the final consumer has quickened considerably over the past two months. The Federal Reserve Board adjusted index of department store sales was 92 in September, the highest since October 1937 and 3 per cent above August. The more-inclusive Trade Barometer measuring consumer buying (see pages 26-31) also showed an increase of 3 per cent over the month, but, at a level of 86.5, was still lower than in January of this year.

Department Store Sales

Federal Reserve Board Adjusted Index 1923-1925 = 100

	1936	1937	1938	1939
January	81	93	90	88
February	83	95	88	87
March	84	93	86	88
April	84	93	83	88
May	87	93	78	85
June	87	93	82	86
July	91	94	83	86
August	86	92	83	89
September	88	94	86	92
October	90	93	84	
November	94	91	89	
December	92	89	89	

Reports from shopping centers throughout the country indicate that during the first three weeks of October the average gain in retail trade compared with a year ago was 8 to 15 per cent. Merchants note an increase in credit buying and in the movement of heavy goods—both important indicators of changes in "consumer confidence" and in buying power.

Whether this improvement in total consumption has measured up to the expansion in total output and in wholesale commitments is more difficult to determine. Available figures and information suggest that it has not.

A sudden shift from hand-to-mouth buying policies to the covering of needs several months ahead was an important factor in the production rise. Fear of higher prices and of delivery delays or even shortages of material has apparently brought about some increase in inventories, particularly in distributors' hands. On grocery and dry goods lines the consumer has also done some stocking-up.

It is too early to see the full significance of the increase in stock holdings for the trend of business over the next few months. For one thing, much of the buying done in September is still in the form of potential inventories, or unfilled orders on manufacturers' books. For another, statistical information measuring the amount of accumulation is not yet complete even for September. We do know that the FRB adjusted index of department store stocks was 68, up 1 point from August. At the same time, the sales index was up to 92 from 89, so that the ratio of inventories to sales apparently held to a fairly low level in department stores.

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	July 1939	Aug. 1939	Sept. 1939	Oct. 1939
I	75.5	75.1	75.3	79.0
II	75.6	74.8	78.4	78.9
III	75.5	74.6	79.3	
IV	75.2	74.8	79.5	
V	74.8		79.5	

Except for individual commodities, little information is available which shows the change in manufacturing inventories during September. Reports received by NICB from 163 manufacturing concerns indicate a decline in inventories of 1 per cent between August 31 and the end of September. Raw material stocks of these companies were larger, but this rise was more than offset by a reduction in inventories of finished goods. At the end of August, NICB seasonally adjusted indexes of manufacturing stocks showed the following relation to the 1936 average: raw materials, including cotton at mills, 89.6 per cent; semi-finished goods, 106.7 per cent; finished goods, 111.7 per cent.

Industrial Stock Prices

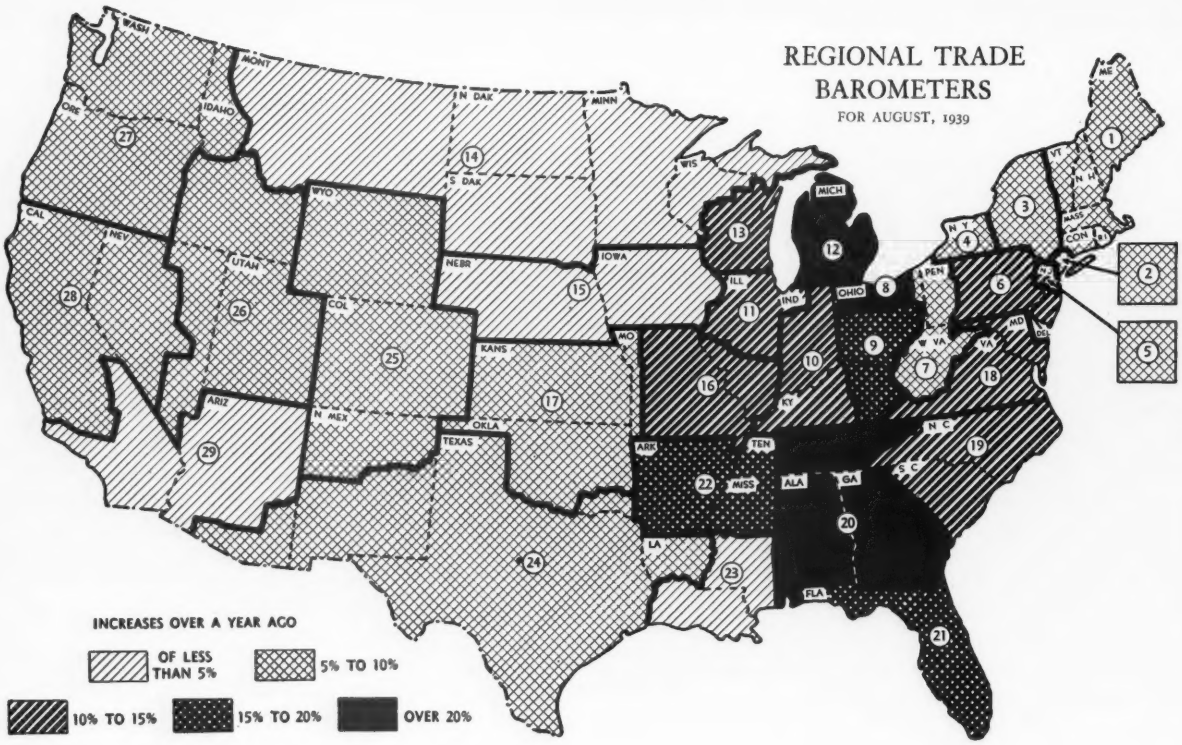
Dow-Jones Index (Weekly Average)

Week	July 1939	Aug. 1939	Sept. 1939	Oct. 1939
I	132.63	143.16	135.99	150.43
II	133.13	139.09	149.99	150.62
III	136.47	138.15	154.17	153.19
IV	143.07	133.53	151.87	
V	143.95		152.18	

Taking the comparable period in 1936 as a reference, therefore, there is some evidence that manufacturing inventories were probably above the 1936 level in September, that department store stocks—as well as industrial production—were about the same.

Domestic demand as measured by department store sales, was at a somewhat higher level, however, and the consumer's capacity to buy was also relatively greater. Thus, farm income in September 1939 totalled $847,000,000, compared with $758,000,000 in September 1936. The USBLS index of factory payrolls was 93.7, in contrast with 87.2 three years ago. At the same time, living costs were apparently equal, the NICB index standing at 85.9, against 85.9 in September 1936.

Foreign buying in the first month of the war proved disappointing to those who had looked for a flood of orders both from warring nations and from neutrals who had been cut off from their normal trade sources. So far, no considerable "war business" appears to have developed, except in isolated industries, but it is interesting to note that preliminary figures on export trade for September nevertheless show the largest total for any month since January 1938. Exports worth $288,573,000 compare with $220,539,000 in September 1936.



TRADE SHARES GENERAL UPSWING

The United States Trade Barometer rose to 86.5 (preliminary) in September from 83.7 in August. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by the branch offices of DUN & BRADSTREET, INC.

AS October advanced, the increased activity already under way in the wholesaling and manufacturing divisions began to be noticeably reflected in retail channels. Business analysts continued to remark that consumption was lagging behind production. Exact statistics of total current trade volume are not prepared by anyone, but the data that do exist indicate a notable improvement in recent weeks.

Lower temperatures, following a spell of unusually warm Indian Summer weather in the first part of October, contributed to the expansion in sales of clothing and other seasonal merchandise. Particularly notable was the demand for sporting goods, which became more active as the hunting season opened and as school athletics got seriously under way. Wholesale markets, in spite of the fact that turnover was the smallest since the opening of hostilities abroad, experienced a good volume of reorders of clothing, housefurnishings, electrical goods, and gift items. A continuation of advance buying for three to six months in the future was evidence of the more rapid retail turnover.

The beginning of a war in Europe apparently had no dampening effect on customers' retail purchases during September. New apparel styles met with good response, and the movement of housefurnishings was satisfying. Heavy buying of luxury items, such as furs and fur coats, indicated that consumer sentiment was gradually improving, as payrolls expanded, and as security and commodity values rose. In wholesale divisions, the week following the European declarations of war was in some cases the most active week in years. Although the volume of orders had passed its peak by the middle of the month, turnover continued to be fairly brisk.

August trade reports were somewhat more favorable than

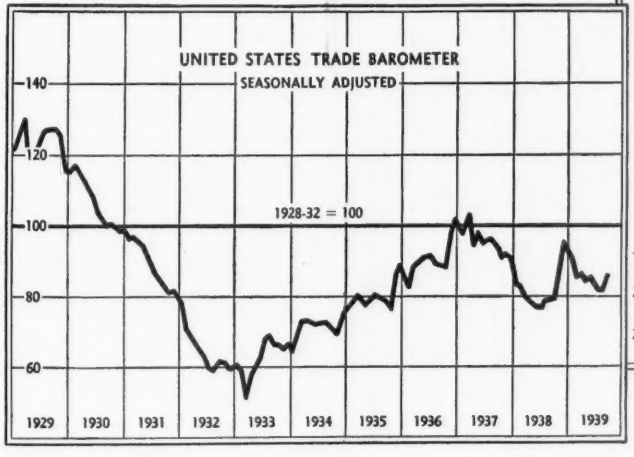
those for the previous month. The United States Trade Barometer registered 83.7, as compared with 81.9 in July, a gain of 2.2 per cent. Only nine of the twenty-nine regions failed to show an increase over the figure for the month before. Increases, however, were not spectacularly large. Most of them were less than 5 per cent. Only two barometers, those for Northern New Jersey and Florida, with gains of 6.3 and 6.9 per cent, respectively, exceeded the 5 per cent margin of increase. Losses were likewise small. The territory of Iowa and Nebraska distinguished itself rather negatively with a 12 per cent drop, but all of the other decreases were 5 per cent or less.

The year-to-year improvement in trade throughout the United States was more pronounced in August than it had been in July. The figure for the country as a whole showed a gain of 10.4 per cent over the corresponding 1938 figure, as compared with a 9.1 per cent increase in the month preceding. Every one of the twenty-nine regions also made a favorable comparison with last year. Gains of more than 20 per cent were recorded in the Cleveland, Detroit, Atlanta and Birmingham, and Memphis regions.

THE MAP AND CHART compare the August, 1939, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1937, on pages 28-31. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for August based on samples of department and retail stores reporting to the Federal Reserve banks; for September and for the first half of October based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETER

	REGION	Aug. 1939 Regional Index	Aug. 1939 Compared with Aug. 1938 (%)	Retail 1935 Sales %
	U. S.	83.7	+10.4	100.0
1.	NEW ENGLAND	70.8	+ 8.6	7.8
2.	NEW YORK CITY	72.3	+ 6.5	10.3
3.	ALBANY AND SYRACUSE	84.1	+ 8.9	2.6
4.	BUFFALO AND ROCHESTER	75.0	+ 7.6	1.9
5.	NORTHERN NEW JERSEY	75.4	+ 5.6	2.9
6.	PHILADELPHIA	78.0	+13.9	6.2
7.	PITTSBURGH	77.1	+ 8.0	3.7
8.	CLEVELAND	86.0	+21.0	2.9
9.	CINCINNATI AND COLUMBUS	92.2	+15.4	3.1
10.	INDIANAPOLIS AND LOUISVILLE	100.2	+11.6	2.6
11.	CHICAGO	83.5	+12.8	6.4
12.	DETROIT	79.8	+20.9	4.0
13.	MILWAUKEE	87.9	+14.9	2.2
14.	MINNEAPOLIS AND ST. PAUL	90.7	+ 4.9	4.5
15.	IOWA AND NEBRASKA	80.2	+ 3.5	3.0
16.	ST. LOUIS	85.3	+10.5	2.5
17.	KANSAS CITY	87.3	+ 5.7	3.6
18.	MARYLAND AND VIRGINIA	99.5	+10.9	3.8
19.	NORTH AND SOUTH CAROLINA	105.6	+10.2	2.1
20.	ATLANTA AND BIRMINGHAM	115.7	+20.4	3.5
21.	FLORIDA	123.7	+16.8	1.3
22.	MEMPHIS	97.1	+20.0	1.5
23.	NEW ORLEANS	102.0	+ 1.9	1.0
24.	TEXAS	109.1	+ 5.0	4.5
25.	DENVER	100.1	+ 8.8	1.3
26.	SALT LAKE CITY	91.5	+ 8.7	.8
27.	PORTLAND AND SEATTLE	84.6	+ 8.2	2.7
28.	SAN FRANCISCO	88.8	+ 6.1	3.4
29.	LOS ANGELES	86.0	+ 2.6	3.9

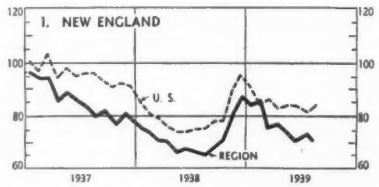
THE REGIONAL TRADE BAROMETERS

These indexes of consumer purchasing are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January, 1928, were published in the September, 1939, number and will appear semi-annually. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries are available for users of the indexes.

1. New England

AUG., 70.8 JULY, 73.3 AUG. 1938, 65.2

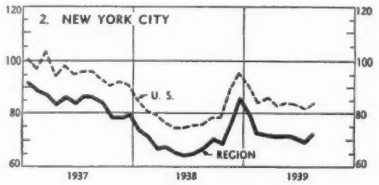
AUGUST—Percentage department store sales changes from previous August: Maine +4, Vermont +7, New Hampshire —1, Boston–New Haven 0, Providence +4. SEPTEMBER—Percentage retail trade increases over previous September: Bangor–Portland 10, Manchester 5, Boston 12, Worcester–Providence 3, Hartford–New Haven 15, Springfield 25; 1938 figures affected by hurricane. Percentage wholesale trade increases: Boston 10, Portland 15, Springfield 25. Tobacco harvest and prices good; hay hurt by drought. Machine tool, textile, electrical goods, boot and shoe production expanded. Sales of cotton yarn 100% ahead of August. OCTOBER—Retail buying active. Cotton fine goods production at 70% of 1937 capacity.



2. New York City

AUG., 72.3 JULY, 69.0 AUG. 1938, 67.9

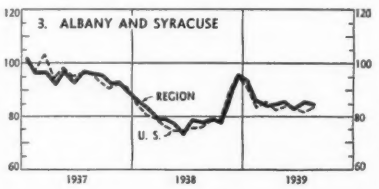
AUGUST—Percentage department store sales increases over previous August: New York and Brooklyn 6, Bridgeport 5, Westchester–Stamford 7. SEPTEMBER—Percentage retail trade changes from previous September: Bridgeport +12, New York City department store sales +4, parcel deliveries +3, hotel sales +31. Bank clearings up 6% from year ago in New York City, 11% in Westchester County. Bridgeport employment at highest level since 1937. New York City payrolls and production improved over last month. Apparel sales above 1938 level. Collections steady. OCTOBER—New York and Brooklyn department store sales 6% ahead of last year. Columbus Day Furniture and clothing sales gratifying.



3. Albany and Syracuse

AUG., 84.1 JULY, 85.8 AUG. 1938, 77.2

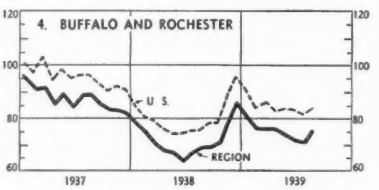
AUGUST—Percentage department store sales changes over previous August: Syracuse +6, Northern State —5, Central State +6. SEPTEMBER—Percentage retail trade increases: Albany 5, Binghamton 13, Utica 6, Syracuse 12. Women's apparel sales 8 to 12% above a year ago. Grocery lines, up 15% over 1938. Albany wholesale trade 13% above year ago; Syracuse trade improved 40%. Wholesale dry goods, hardware, and shoe sales improved. Dry weather adverse to crops. Payrolls and production improved over last year. Utica knit goods activity at highest level this year; prices firm. Binghamton shoe and metal products orders up from last month. Collections steady. OCTOBER—Albany trade seasonally increased.



4. Buffalo and Rochester

AUG., 75.0 JULY, 71.4 AUG. 1938, 69.7

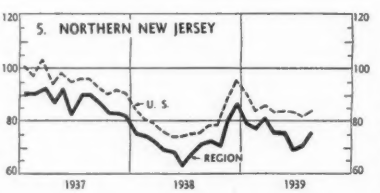
AUGUST—Percentage department store sales increases over previous year: Buffalo 14, Rochester 8, Niagara Falls 10. SEPTEMBER—Percentage retail trade increases over previous year: Buffalo–Rochester 5, Elmira 15, Jamestown 25. Buffalo wholesale trade improved 4% over previous year. Fruit harvest early; drop in peach and apple prices. Marked gains in Buffalo steel, car shop, and railroad activity. Large aircraft orders. Factory and residential building improved. Increase in Great Lakes traffic. Collections steady to improved. OCTOBER—Steel operations above 90% capacity. Automobile parts manufacture 20% above September. Furniture production ahead of last month and last year.



5. Northern New Jersey

AUG., 75.4 JULY, 70.9 AUG. 1938, 71.4

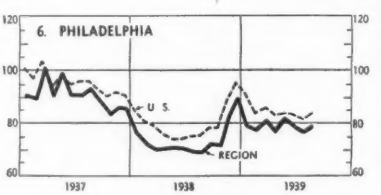
AUGUST—Northern New Jersey department store sales improved 3% over previous August. SEPTEMBER—Newark retail sales 11% above the previous September. Newark wholesale volume advanced 15% from year ago. Volume of sales heavy in first two weeks, levelling off toward end of month. Newark and Northern New Jersey bank clearings up 18 and 9% respectively over last year. Production steady with last year, improved over last month. New Jersey wages highest since 1930. Expansion in volume of cotton manufacturing; additions to plant capacity. Building activity up from last year, even with August. Collections improved. OCTOBER—Retail trade and building activity ahead of comparable period in 1938.



6. Philadelphia

AUG., 78.0 JULY, 76.6 AUG. 1938, 68.5*

AUGUST—Percentage department store sales changes from previous August: Trenton–Reading +9, Allentown +7, Philadelphia +6, Scranton —1, Wilkes-Barre +3, Harrisburg —5, Lancaster —2, York +55, Wilmington +18, Johnstown +20. SEPTEMBER—Percentage retail trade changes from previous September: Trenton +6, Allentown +15, Scranton–Wilkes-Barre +2, Philadelphia +9, Reading +10, Williamsport +12, Lancaster 0, Harrisburg–York +5, Wilmington —5. Philadelphia wholesale trade up 18%. Apple and peach crops good. Philadelphia textile payrolls and production ahead of last year and month. Trenton steam turbine orders 25% above August. OCTOBER—Retail buying slowed by warm weather. *Revised.

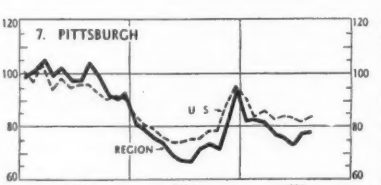


7. Pittsburgh

AUG., 77.1 JULY, 77.0 AUG. 1938, 71.4

AUGUST—Percentage department store sales increases from previous August: Erie 11, Pittsburgh 9, Wheeling 1. SEPTEMBER—Percentage retail trade increases from previous September: Erie 12, Pittsburgh 7, Youngstown–Huntington 10, Charleston 5. Percentage wholesale trade increases: Erie–Pittsburgh 15, Charleston 5. Full work schedules in steel and allied industries. Coal output gained 15 to 20% in past month. Pittsburgh electrical production index at all-time peak, general business index highest since 1937. Collections steady. OCTOBER—Pittsburgh department store sales up 5% from last year. Youngstown steel at 94% capacity. Tin plate and fuel output at highest level this year.

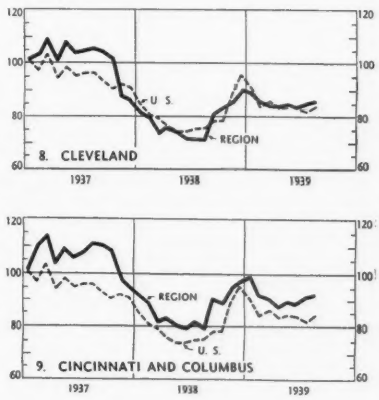
(Continued directly opposite)



8. Cleveland

AUG., 86.0 JULY, 84.8 AUG. 1938, 71.1

August—Percentage department store sales increases over previous August: Cleveland 13, Akron 20, Toledo 15. September—Percentage retail increases over previous September: Cleveland 17, Akron 12, Canton 20, Lima 10, Toledo 6. Percentage wholesale trade increases: Cleveland 11, Akron 18, Toledo 6. Payrolls and production improved over last month and year. Cleveland steel at 86% capacity. Machine tool industry sharply stimulated. Aluminum shipments up. Less than seasonal decline in rubber casing shipments. Toledo glass industry active. Collections improved. October—Cleveland department stores 10% ahead of last year. High level of industrial production maintained.



9. Cincinnati and Columbus

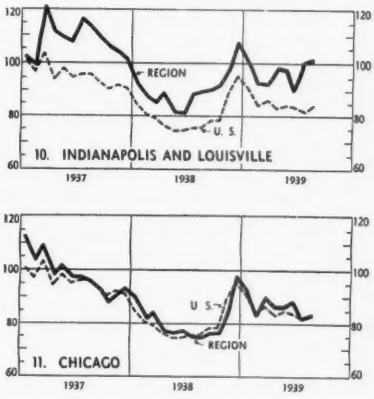
AUG., 92.2 JULY, 90.9 AUG. 1938, 79.9

August—Percentage department store sales increases over previous August: Cincinnati–Dayton 5, Zanesville 8. September—Percentage retail trade changes from previous September: Cincinnati–Zanesville +10, Dayton–Springfield–Columbus +5, Lexington —3. Cincinnati and Columbus wholesale trade improved 15%. Hay, corn, and fruit yields equal to last year. Payrolls and production gained over last year. Moderate upturns in glass, pottery, shoe, and tile manufacture. Kentucky coal mining improved. Columbus shoe manufacturing below last year and month. October—Retail trade in Cincinnati 5% better than last month. Construction lagging. Machine tool production greater than any month on record.

10. Indianapolis and Louisville

AUG., 100.2 JULY, 100.0 AUG. 1938, 89.8

August—Percentage department store sales increases over previous August: Louisville–Indianapolis 11, Fort Wayne 13. September—Percentage retail trade increases: Louisville 4, Evansville 5, Indianapolis 0, Fort Wayne 15, Terre Haute 10. Louisville and Indianapolis wholesale trade improved 15%. Crop yield good; prices improved. Payrolls and production steady to improved over last year and last month. Electrical goods and agricultural implement orders sharply advanced. Increased activity in railroad yards. Coal production higher than last month or last year. Collections steady. October—Indianapolis retail trade 10% above last year. Louisville trade improved by reemployment of railroad men.



11. Chicago

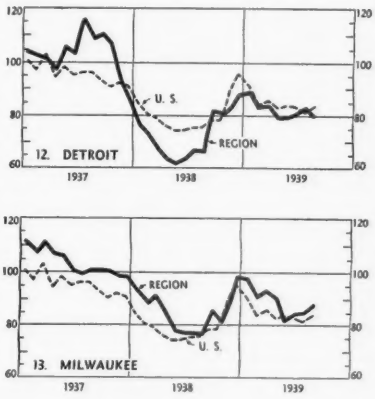
AUG., 83.5 JULY, 81.7 AUG. 1938, 74.0

August—Percentage department store sales increases over previous August: Chicago 8, Peoria 3. September—Percentage retail trade changes from previous September: Chicago +3, Rockford +15, Peoria —6, South Bend +20. Chicago wholesale trade 5% above previous year. Illinois corn yield excellent. Dry weather adverse to sowing of Winter wheat. Hog prices lower than mid-month high levels. Payrolls and production better than last month and last year. Steel at highest capacity in two years. New peak reached in oil production. New car registrations 200% ahead of year ago. October—Chicago retail trade 9% ahead of 1938. Apparel and mail order lines more active than month ago.

12. Detroit

AUG., 79.8 JULY, 82.7 AUG. 1938, 66.0

August—Detroit department store sales 13% improved over last August. September—Percentage retail trade increases over past year: Detroit–Saginaw 10, Grand Rapids 8. Percentage wholesale trade increases: Detroit 20, Grand Rapids 10. Bumper farm and orchard crops. Automobile production at highest September figure for last ten years. Refrigerator manufacture and sales improved by nation-wide promotion. Copper and iron mining active. Employment at peak level. Collections improved. October—Retail trade gain over last year narrowed to 5 to 7% due to warm weather. Household goods and building materials sales spurred by improved construction. Auto production increased despite slowdown in large plant.



13. Milwaukee

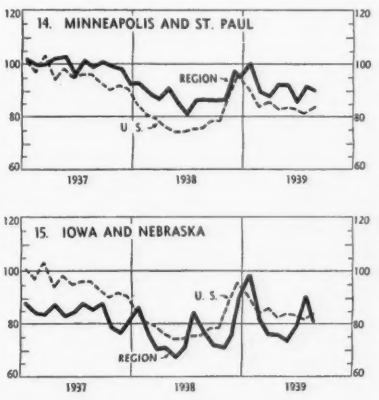
AUG., 87.9 JULY, 84.5 AUG. 1938, 76.5

August—Milwaukee department store sales improved 7% over last year. September—Percentage retail trade increases: Milwaukee 6, Green Bay 8, Madison 10. Milwaukee wholesale trade 5% above last year. Cabbage and sugar beet production improved over last year; dairy prices favorable. Payrolls and production generally up from last year, steady with last month. Metal manufacture and shipping considerably advanced; canning industry improved due to large-scale consumer buying. Milwaukee building permits fewer than last month; value almost double last year's. Collections steady to better than last year. October—Retail trade improved over last year. Strike in automobile plants slowed output of new models.

14. Minneapolis and St. Paul

AUG., 90.7 JULY, 91.9 AUG. 1938, 86.5

August—Minneapolis–St. Paul–Duluth–Superior department store sales 10% higher than previous August. September—Percentage retail trade changes from previous September: Duluth 0, Minneapolis +8, St. Paul +10, Fargo +8, Sioux Falls —10, Billings +12, Butte +8, La Crosse +5, Great Falls +13. Percentage wholesale trade increases: Duluth 0, Minneapolis 5, Great Falls 10. Potatoes poor, but prices better than last year. Dairy prices 8% ahead of last month. Payrolls and production up from last year. Demand for flour and linseed products firm; agricultural implement manufacture seasonally declined. Great Lakes iron ore shipments at peak. Beet sugar refineries active. October—St. Paul retail trade 14% ahead of 1938.



15. Iowa and Nebraska

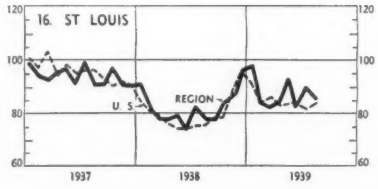
AUG., 80.2 JULY, 91.0 AUG. 1938, 77.5

August—Omaha department store sales increased 5% over previous month. September—Percentage retail trade increases over previous September: Burlington–Waterloo–Dubuque 10, Davenport 15, Cedar Rapids 0, Sioux City–Lincoln 5, Omaha 3, Des Moines 8. Percentage wholesale trade increases: Sioux City–Des Moines 10, Omaha 15. Iowa corn yield of record size. Nebraska corn 40% below normal, but prices favorable. Rains needed for Fall plowing. Payrolls and production improved over last year and last month. Marked gain in flour milling and food processing. Farm implement, furniture, and heavy machine manufacturing above last year. Collections generally steady. October—Omaha bank clearings 41% larger than last year.

16. St. Louis

AUG., 85.3 JULY, 90.1 AUG. 1938, 77.2

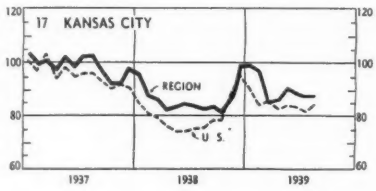
AUGUST—Percentage department store sales changes over previous August: St. Louis 10, Springfield (Ill.) —10, Quincy 5. SEPTEMBER—Percentage retail trade increases over previous September: St. Louis 10, Springfield (Ill.)–Springfield (Mo.) 6, Quincy 4. St. Louis wholesale trade improved 10% over last year. Sowing of Winter wheat slowed by heat. Iron, steel, and auto accessory payrolls and production considerably improved over last month and last year. Oil output at high level. Residential building activity about 30% ahead of last year. Operations in shoe industry seasonally lower after mid-month improvement. OCTOBER—Sales of wearing apparel and household goods 25% above corresponding period of last year.



17. Kansas City

AUG., 87.3 JULY, 86.9 AUG. 1938, 82.6

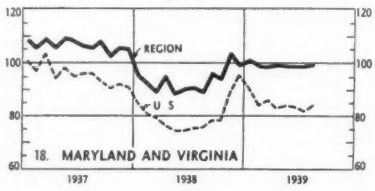
AUGUST—Percentage department store sales increases over previous August: Kansas City 9, Wichita–Oklahoma City 5, Tulsa 7. SEPTEMBER—Percentage retail trade increases over previous year: Kansas City–St. Joseph 0, Topeka–Oklahoma City 5, Tulsa 10; Wichita trade slightly improved. Kansas City wholesale trade 10% ahead of last year; Oklahoma City sales up 4%. Wheat sowing hampered by record drought; losses on corn crop. Payrolls and production generally even with last year. Topeka livestock slaughter 15% above 1938. Flour milling activity slower. Wichita aircraft manufacturing active. Gains in Oklahoma oil production. OCTOBER—Unseasonable heat adverse to Fall buying. Construction at ebb.



18. Maryland and Virginia

AUG., 99.5 JULY, 98.4 AUG. 1938, 89.7

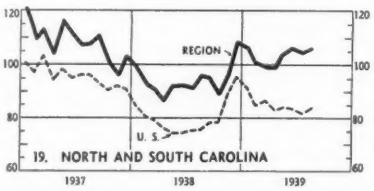
AUGUST—Percentage department store sales increases over previous August: Baltimore 5, Washington 9, Richmond 2. SEPTEMBER—Percentage retail trade increases over previous September: Richmond 2, Baltimore–Norfolk 5, Washington 8, Lynchburg 4, Roanoke 10, Bristol 7. Percentage wholesale trade increases: Baltimore–Richmond 4, Norfolk 10. Virginia crops ahead of ten-year average. Seeding of Fall grains in progress. Tobacco sales slow due to closing of Carolina markets. Payrolls and production improved over last year. Paper manufacture, cigarette, and furniture production active. Railroad carloadings at peak. Collections steady. OCTOBER—Baltimore department store sales 8% ahead of last year.



19. North and South Carolina

AUG., 105.6 JULY, 103.7 AUG. 1938, 95.8

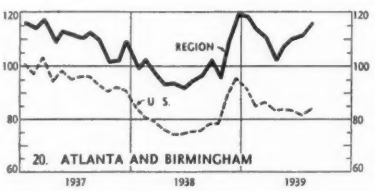
AUGUST—North Carolina department store sales advanced 8% since last August. South Carolina sales improved 13%. SEPTEMBER—Percentage retail trade increases since last September: Asheville–Raleigh 5, Winston-Salem 15, Charlotte 3, Charleston 10, Columbia 20, Greenville 28, Wilmington 0. Percentage wholesale trade increases: Wilmington 2, Charleston 8, Winston-Salem 20. Cotton crop 20 to 25% better than last year; corn 25% higher. Tobacco yield good but prices doubtful; market temporarily closed. Charleston tourist trade improved after removal of infantile paralysis ban. Strike in Columbia textile mills. OCTOBER—Wage increases in textile mills. Textile orders slackened after great activity. Columbia strike settled.



20. Atlanta and Birmingham

AUG., 115.7 JULY, 111.0 AUG. 1938, 96.1

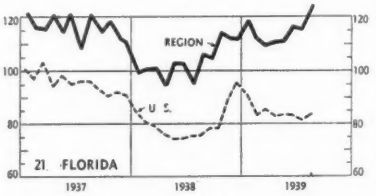
AUGUST—Percentage department store sales increases over previous August: Atlanta 17, Birmingham 18, Montgomery 8, Nashville 13. SEPTEMBER—Percentage retail trade increases: Augusta–Columbus–Mobile–Nashville–Chattanooga 10, Birmingham 25, Atlanta–Macon 12, Knoxville 0. Percentage wholesale trade increases: Atlanta 15, Birmingham 20, Nashville 5. Cotton yield spotty due to adverse weather. Planting of rye and Winter wheat retarded by heat and drought. Payrolls and production improved over last year. Birmingham steel at peak level; coal production stimulated. Textile, lumber, and building materials industries improved. OCTOBER—Atlanta retail trade slower than last month but 14% ahead of last year.



21. Florida

AUG., 123.7 JULY, 115.7 AUG. 1938, 105.9

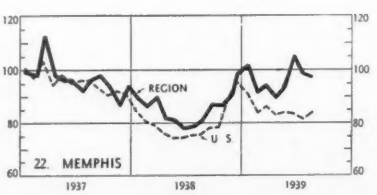
AUGUST—Florida department store sales improved 26% over previous August. SEPTEMBER—Miami retail trade improved 8% over previous September; wholesale sales advanced 5%; Jacksonville and Tampa retail trade improved 2 and 10% respectively. Scattered citrus shipments; prices strong. Payrolls and production improved over last month and last year. Jacksonville cigar manufacture steady. Naval stores output and prices better than in 1938. Substantial improvement in Jacksonville building, post office receipts, and bank clearings. Collections steady. OCTOBER—New hotels under construction in Miami. Railroad travel increased; steamship travel curtailed because of war. Winter apparel and novelty stores opening earlier than usual.



22. Memphis

AUG., 97.1 JULY, 98.0 AUG. 1938, 80.9

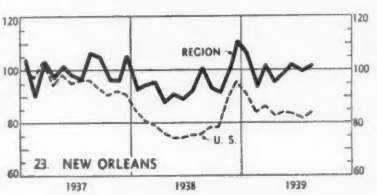
AUGUST—Percentage department store sales changes from previous August: Memphis +17, Fort Smith —3, Little Rock +11. SEPTEMBER—Percentage retail trade increases over previous September: Memphis 15, Fort Smith 5, Little Rock 12. Memphis wholesale trade 15% above last year. Cotton crop good; picking and ginning in progress. Livestock sales in Arkansas at highest level this year. Payrolls and production improved over last month. Lumber mills operating extra shifts. Fort Smith furniture production 12 to 15% more active than last month. Collections improved. OCTOBER—Memphis department store sales up 28% from last year; merchandise movement speeded by favorable weather and special sales.



23. New Orleans

AUG., 102.0 JULY, 98.6 AUG. 1938, 100.1

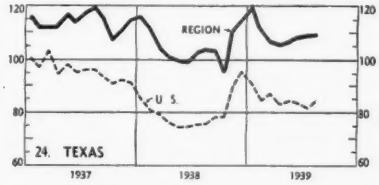
AUGUST—New Orleans department store sales improved 3% over previous August. SEPTEMBER—New Orleans retail trade improved 9% over previous September. Jackson and Meridian trade decreased 6 and 14% respectively from last year. New Orleans wholesale trade improved 6%. Cotton ginning under way; harvest spotty. Sugar cane in good condition as cutting season approaches. Agricultural prices moderately higher than last year. Payrolls and production spotty. Jackson cotton mill production improved. Value of New Orleans building permits less this month than last but considerably above last year. Collections steady. OCTOBER—Retail trade and agricultural prices considerably advanced over last year.



24. Texas

AUG., 109.1 JULY, 109.0 AUG. 1938, 103.9

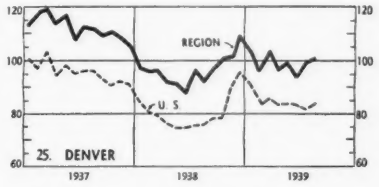
AUGUST—Percentage department store sales changes from previous August: Dallas +3, Fort Worth–Houston —2, San Antonio —5. SEPTEMBER—Percentage retail trade changes from previous September: Dallas +3, Shreveport +5, Fort Worth +4, El Paso +7, Houston +2, Galveston —5, Austin–San Antonio —3, Wichita Falls —10. Percentage wholesale trade increases: Dallas–Shreveport 5, San Antonio 18, Fort Worth 20, Houston 3. Cotton in some sections short; range lands badly in need of rain. Payrolls and production steady compared to last year. Oil production and demand expanded after shutdown. Lumbering active. Collections steady. OCTOBER—Dallas retail trade 18% above last year. Texas wells temporarily closed.



25. Denver

AUG., 100.1 JULY, 99.0 AUG. 1938, 92.0

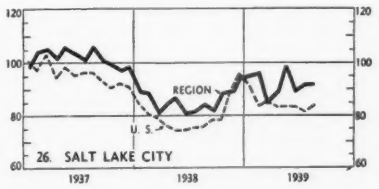
AUGUST—Denver department store sales 9% above previous August. SEPTEMBER—Denver and Albuquerque retail trade improved 5% over last September. Denver wholesale trade up 6%. Sales of Winter wearing apparel greater than last year. Moisture needed for range and Fall plowing. New Mexico bean crop one-third of normal; fruit crop fair. All agricultural prices improved over last month and year. Payrolls and production steady to above over last year. Railroad shipping active in comparison with last year. Residential and heavy construction industry active. Collections steady to improved over last year. OCTOBER—Retail trade 4% above last year; greatest gain in clothing and furniture sales.



26. Salt Lake City

AUG., 91.5 JULY, 91.6 AUG. 1938, 84.2

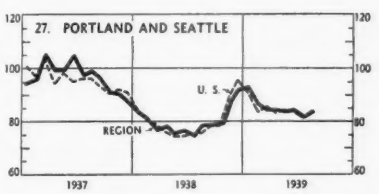
AUGUST—Salt Lake City department store sales improved 1% over last August. SEPTEMBER—Salt Lake City wholesale and retail trade 15% improved over last month. Utah corn, oats, and hay crops under last year's production and under the ten-year average; grain prices improved. Sugar beet yield cut by Summer drought. Range lands likewise hurt, but considerably benefitted by recent rains. Payrolls and production steady compared to last year. Coal mining active; some increase in metal mining. Salt Lake City building permits higher than last month but lower than last year. Collections steady. OCTOBER—Wholesale auto supply sales 10% ahead of last year. Department store sales increased 8%.



27. Portland and Seattle

AUG., 84.6 JULY, 82.4* AUG. 1938, 78.2

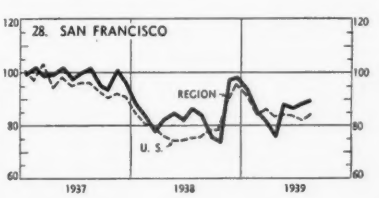
AUGUST—Percentage department store sales increases over previous August: Seattle–Tacoma 7, Spokane 2, Portland 3. SEPTEMBER—Percentage retail trade increases over previous September: Seattle 6, Tacoma–Portland 7, Spokane 2. Seattle wholesale trade up 16% from last year. Portland trade up 4%. Washington wheat crop best in years; Puyallup Valley crops harvested except for celery. Fruit, grain, potato, dairy prices strong. Salmon output small but prices best in five years. Payrolls and production improved over last year. Unfilled lumber orders 80% ahead of 1938. Idle pulp mills reopened. Some lumber mill strikes still in progress. OCTOBER—Portland retail trade 12% above last year; Seattle trade 15% ahead. *Revised.



28. San Francisco

AUG., 88.8 JULY, 88.2 AUG. 1938, 83.7

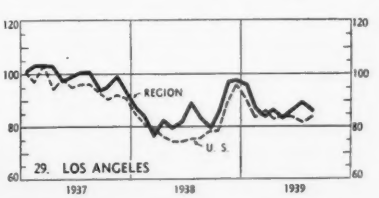
AUGUST—Percentage department store sales increases over previous August: San Francisco 3, Oakland 8. SEPTEMBER—Percentage retail trade changes from previous September: San Francisco +30, Sacramento +6, Fresno —5; Oakland trade slightly lower. 1938 trade affected by department store strike, but 1939 wholesale trade 15% ahead of last September. Hops price best in years; navy bean demand improved. Large shipments of deciduous fruit. Payrolls and production improved over last year. Chemical, paper, and steel manufacturing ahead; record volume of shipbuilding orders. Pacific Coast hotel sales 26% ahead of 1938. Collections steady. OCTOBER—San Francisco retail trade 18% ahead of last year.



29. Los Angeles

AUG., 86.0 JULY, 89.0 AUG. 1938, 83.8

AUGUST—Los Angeles department store sales 3% lower than in 1938; Phoenix department store sales 8% higher. SEPTEMBER—Percentage retail trade changes: Los Angeles —6, San Diego 0, Phoenix +6. Los Angeles wholesale trade up 8%. Valencia orange crop below last year's quality; prices higher. Walnut crop largest in years; damage to San Diego fruit due to rains. Aircraft, petroleum, packing and automobile payrolls and production improved over last month and last year. Building permits down 10% from August level, off 22% from last year. Movie industry unsettled. Petroleum demand ahead of August level. OCTOBER—Retail trade 7% ahead of last year in Los Angeles; crops damaged by adverse weather conditions.



STEEL MILLS AT YOUNGSTOWN—EWING GALLOWAY

INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures			Current Liabilities **			Total Liabilities **			Dun's Insolvency Index †					
										Unadjusted			Adjusted ‡		
	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937
Jan.	1,263	1,377	841	19,122	21,415	12,003	23,192	27,162	14,992	69.3	76.2	47.7	56.3	62.0	38.8
Feb.	963	1,149	755	12,788	21,028	14,004	12,795	25,501	22,887	62.5	75.2	50.6	54.3	65.4	44.0
Mar.	1,057	1,167	861	17,851	40,325	22,591	18,164	80,373	78,878	58.1	64.8	47.1	57.5	64.2	47.1
Apr.	1,064	1,172	818	17,435	21,147	12,893	20,693	29,355	13,628	58.5	65.1	48.3	56.8	63.2	47.4
May	1,028	1,123	875	14,664	19,139	13,088	19,501	19,831	14,965	54.3	59.8	47.6	53.8	59.2	47.6
June	847	1,073	703	11,460	15,918	12,829	11,616	16,892	16,737	50.3	64.1	41.1	52.4	67.5	43.3
July	885	1,038	651	14,128	14,761	12,780	22,763	15,008	13,955	48.3	57.2	37.9	54.3	64.3	42.1
Aug.	859	1,015	736	11,259	16,382	14,950	11,714	17,252	19,473	46.8	53.8	39.7	55.1	63.3	46.7
Sept.	758	866	584	9,402	14,341	9,818	10,586	15,183	11,308	42.9	51.6	35.2	51.1	61.4	41.9
Oct.	....	997	815	....	13,219	14,079	....	16,960	15,381	...	54.7	45.2	...	59.4	49.1
Nov.	....	984	842	....	12,302	16,400	....	17,281	17,709	...	53.9	52.7	...	51.8	51.2
Dec.	....	875	1,009	....	36,528	27,818	....	54,736	36,963	...	56.7	58.0	...	56.1	58.0
Total	....	12,836	9,490	....	246,505	183,253	....	335,534	276,876	...	61.1	45.9	...	...	...

** In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING *the* RECORD *of* INDUSTRIAL *and* COMMERCIAL FAILURES

A MORE THAN SEASONAL DIP IN SEPTEMBER

INDUSTRIAL and commercial failures declined to 758 in September from 859 in August—a drop of 101 cases, or 12 per cent. Current liabilities also declined from $11,259,000 in August to $9,402,000 in September—a decrease of 18 per cent. In September a year ago there were 866 failures with current liabilities of $14,341,000.

Conversion of the reported number of failures into the insolvency index resulted in a drop from 46.8 failures in August in every 10,000 concerns in business to 42.9 in September. The practically unbroken downward course of the index since the beginning of the year was thus continued another month. According to the seasonal pattern, failures should reach their annual low point in September, and thereafter normally increase in number during the Fall months.

The current decline in the index was greater than that which usually occurs between August and September, and as a result the adjusted index fell from 55.1 to 51.1. This four point drop, while not excessive, was greater than any monthly change in the adjusted index this year, and reversed the two point and one point rises of the last two months. A change in the direction of the index in a single month is not necessarily significant, and not until next month will it be known whether or not a less than normal rise in October failures will take place and carry the adjusted index into definitely lower regions.

The September decline in failures was not confined to any particular industry group, or to any one section of the country, but was very widespread over the business field, both industrially and geographically. In September there was a decrease from the August figure of 12 per cent in manufacturing, 10 per cent in wholesale trade, 12 per cent in retail trade, 3 per cent in construction, and 17 per cent in commercial service. Within these main groups there were naturally here and there individual lines of activity in which more failures occurred in September than in August, as for instance, the chemical and drug, fuel, and machinery concerns in the manufacturing group and the general merchandise stores and building material and hardware stores in the retail trade group.

The normally low point of this year's failures was 12 per cent under the September low of 1938. There was little uniformity in degree of change among the main industry groups, as the following table shows:

Industry Group	September 1939	September 1938	Per Cent Change
Manufacturing	133	184	−28
Wholesale Trade	84	72	+17
Retail Trade	462	528	−12
Construction	45	49	− 8
Commercial Service	34	33	+ 3
Total	758	866	−12

The improvement which occurred in the manufacturing group was the result of fewer failures mainly in the textiles, iron and steel products, and machinery divisions. There was an equal number of failures of food concerns in both periods. Most of the wholesale lines showed more failures than a year

ago. A good share of the difference in retail failures now and a year ago was due to a more than 50 per cent cut in restaurant and tavern failures, although general stores, furniture stores, food shops, automotive products, and drug stores also experienced fewer failures. Apparel and hardware failures were currently no lower than a year ago.

The September decline from August also ran through all the size groups, size being determined by the amount of liabilities involved. Very small failures were 11 per cent under those for August; those with debts between $5,000 and $25,000 were 9 per cent lower, while larger failures declined 24 per cent and very large ones with liabilities of $100,000 and over, 31 per cent. Failures of all sized concerns were under those of a year ago with the largest decrease occurring in the size group with debts of between $25,000 and $100,000.

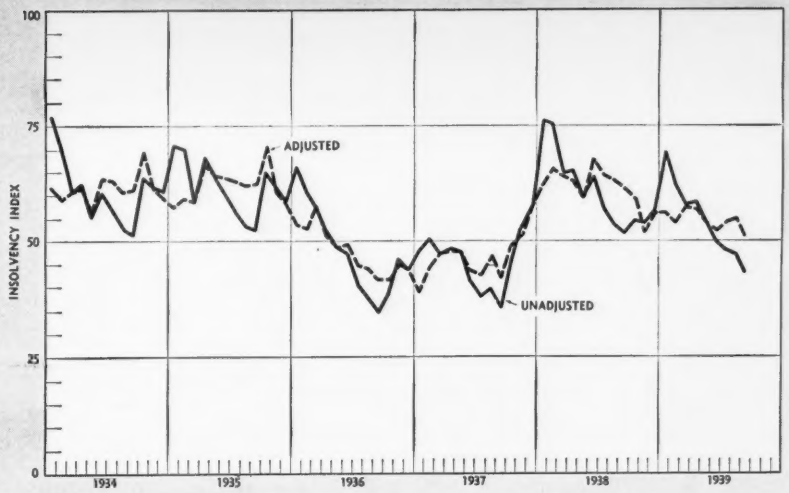
Size of Liabilities	September 1939	September 1938	Per Cent Change
Under $5,000	318	360	—12
$5,000–$25,000	370	397	— 7
$25,000–$100,000	57	90	—37
$100,000–$1,000,000	13	18	—32
$1,000,000 and over	..	1	..
Total	758	866	—12

Geographically, failures were down or relatively unchanged in all the Federal Reserve Districts but Philadelphia. The decrease was most extensive in the Atlanta and Chicago districts. In the New York, Cleveland, St. Louis and Dallas districts the decline amounted to about 12 per cent in each district. Levels were little changed in the four scattered districts of Boston, Kansas City, Minneapolis, and San Francisco.

Total failures in the twenty-five largest cities appeared to be down much more than failures in the rest of the country, but in reality most of the decline in the cities took place in the two largest ones, New York and Chicago, with failures in the other twenty-three large cities showing either little change, or in some cases moderate gains.

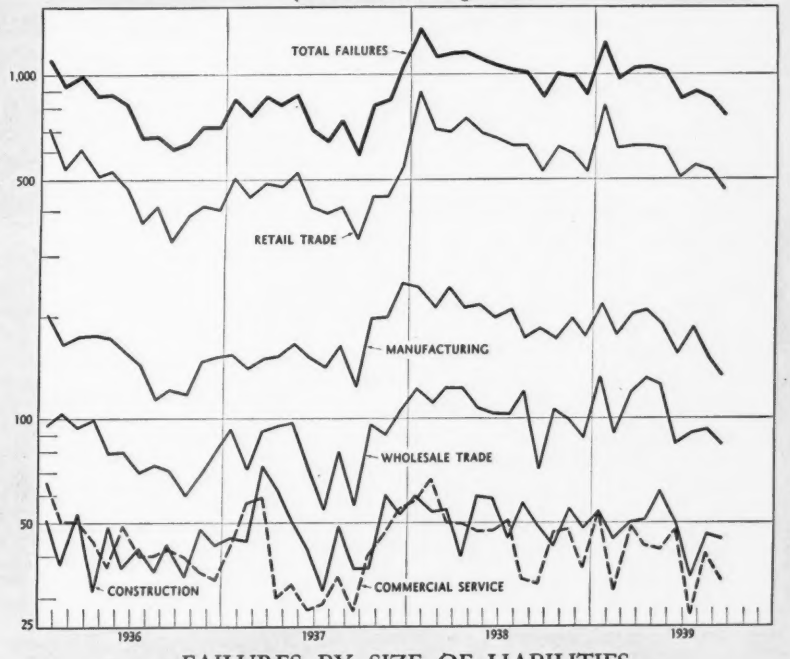
The following table presents failures by Federal Reserve Districts for the

MONTHLY TREND OF THE INSOLVENCY INDEX



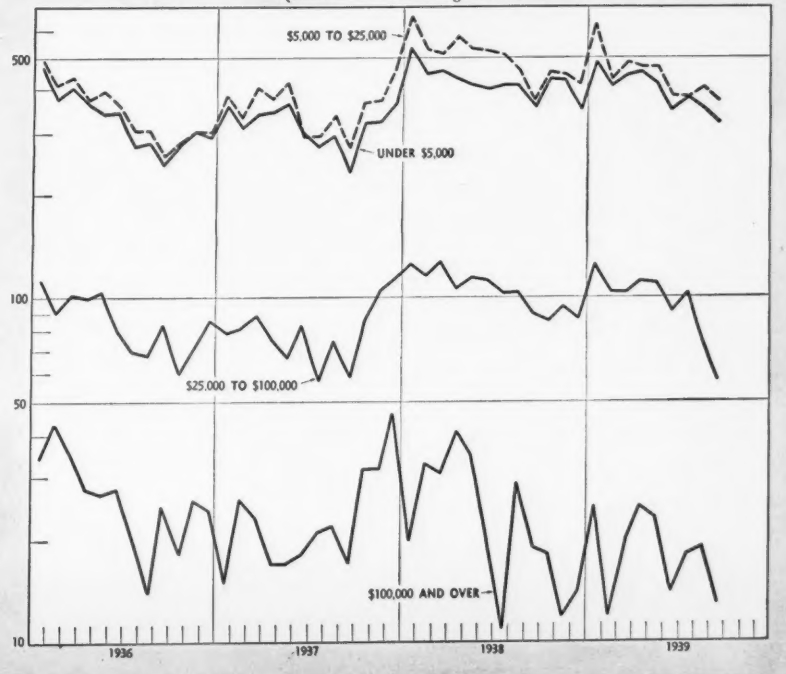
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is Logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is Logarithmic)



first nine months of 1939 and 1938. Only three districts, Minneapolis, Kansas City, and Dallas have reported so far in 1939 failures in excess of those in the comparable period of 1938, and only in the Dallas district is the increase appreciable. Between November, 1938, and March, 1939, Dallas failures were high, but since April the numbers have been gradually falling.

Federal Reserve District	Jan.-Sept. 1939	Jan.-Sept. 1938	Per Cent Change
Boston	689	944	−27
St. Louis	289	395	−27
Cleveland	572	760	−25
Richmond	409	489	−16
San Francisco	953	1,114	−14
New York	2,528	2,838	−11
Chicago	1,361	1,552	−11
Philadelphia	559	631	−11
Atlanta	489	524	− 7
Minneapolis	174	168	+ 4
Kansas City	443	410	+ 8
Dallas	258	182	+42
Total	8,724	9,980	−13

Quarterly Failures

Failures followed a downward trend during each month of the third quarter just ended, and totalled for the quarter 2,502 compared with 3,214 for the second quarter. Comparison with the third quarters of previous years shows that failures are 14 per cent below the 2,919 of the third quarter of 1938, but that they still have a downward path to follow before they reach the lower levels of 1,971 failures in the comparable period of 1937, or the 1,955 third-quarter failures in 1936, two years in which failures were relatively few in number during the short-lived business recovery.

The table on the following page presents comparison of third-quarter failures in 1939 and 1938. Details for other smaller sub-groups may be found in the November issue of Dun's Statistical Review.

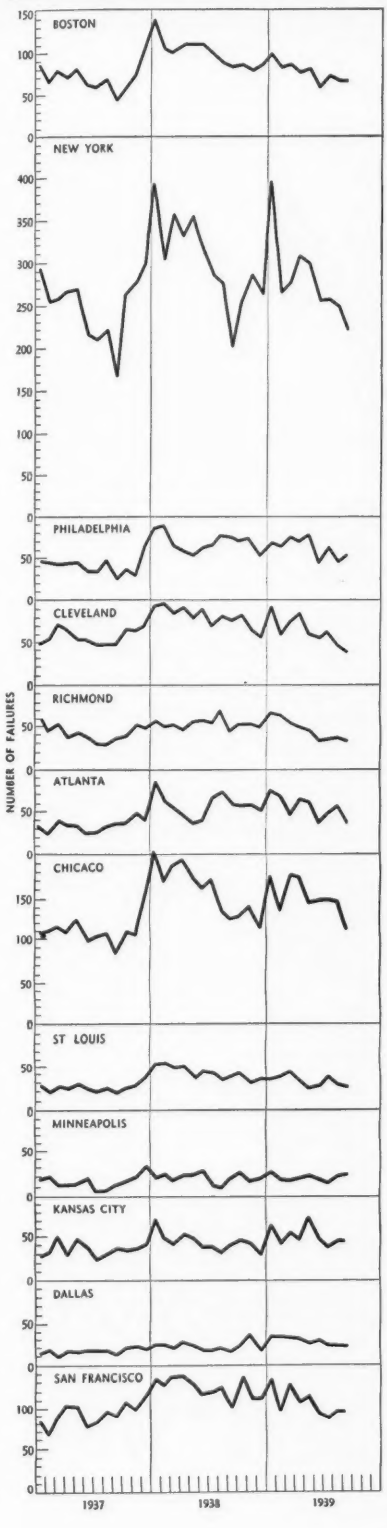
A remarkably uniform decrease has taken place in the five main groups. It varies from only 10 per cent in wholesale trade, through 15 and 14 per cent respectively in commercial service and retail trade, to 17 per cent in construction and manufacturing. Of all the manufacturing lines only in foods did failures number more than in the third quarter of 1938, and the increase was apparent in most of the various food lines. The greatest declines were 56 per cent in iron and steel products and 37 per cent in machinery. In wholesale trade failures in most lines were down, with again the exception of foods. Every retail line was down, although the least improvement was apparent in food shops, down only 3 per cent, and in apparel shops, down only 6 per cent.

Failures by Divisions of Industry—September, 1939 and 1938

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	Sept. 1939	Aug. 1939	Sept. 1938	Sept. 1939	Aug. 1939	Sept. 1938
Total United States	758	859	866	9,402	11,259	14,341
Manufacturing (total)	133	151	184	3,175	4,069	5,227
Foods	32	39	31	569	1,642	1,506
Textiles	22	31	33	342	535	981
Forest Products	14	18	14	415	521	480
Paper, Printing and Publishing	10	12	18	59	269	415
Chemicals and Drugs	7	4	6	124	38	65
Fuels	4	1	8	816	40	696
Leather and Leather Products	3	11	6	28	311	57
Stone, Clay, Glass and Products	6	3	9	98	20	124
Iron and Steel	2	8	11	18	337	204
Machinery	8	5	18	192	51	261
Transportation Equipment	4	1	4	95	16	77
All Other	21	18	26	419	289	361
Wholesale Trade (total)	84	93	72	1,102	1,473	1,535
Farm Products, Foods, Groceries	32	40	28	390	663	632
Clothing and Furnishings	7	7	4	125	182	72
Dry Goods and Textiles	3	1	4	12	7	55
Lumber, Building Materials, Hardware	8	12	6	135	198	149
Chemicals and Drugs	3	3	3	17	70	10
Fuels	2	2	3	19	6	228
Automotive Products	5	4	5	70	47	31
Supply Houses	4	3	5	54	21	188
All Other	20	21	14	280	279	170
Retail Trade (total)	462	528	528	3,700	4,461	6,450
Foods	134	164	145	702	963	832
Farm Supplies, General Stores	15	20	23	71	148	191
General Merchandise	22	16	20	161	70	109
Apparel	96	111	95	605	1,153	735
Furniture, Household Furnishings	32	30	43	213	243	2,565
Lumber, Building Materials, Hardware	34	22	30	636	267	554
Automotive Products	32	39	41	478	439	491
Restaurants	35	57	61	275	512	368
Drugs	32	34	37	202	382	257
All Other	30	35	33	267	284	348
Construction (total)	45	46	49	927	765	782
General Contractors	9	..	8	662	..	163
Carpenters and Builders	7	15	16	31	489	297
Building Sub-contractors	29	30	24	234	271	196
Other Contractors	..	1	1	..	5	126
Commercial Service (total)	34	41	33	498	491	347
Cleaners and Dyers, Tailors	9	8	9	147	62	109
Haulage, Buses, Taxis, etc.	9	8	8	164	123	52
Hotels	5	3	1	94	15	..
Laundries	3	5	6	36	140	120
Undertakers	..	..	1	..	..	15
All Other	8	17	8	57	151	51

FAILURES IN FEDERAL RESERVE DISTRICTS



Industry Group	Third Quarter 1939	Third Quarter 1938	P. Ct. Change
Manufacturing	470	567	—17
Foods	120	100	+20
Textiles	93	132	—30
Forest Products	46	50	..
Machinery	27	43	—37
Iron and Steel	16	36	—56
Wholesale Trade	268	297	—10
Farm Products and Foods	108	103	+ 5
Retail Trade	1,538	1,786	—14
Foods	443	469	— 6
Apparel	344	353	— 3
Furniture and Furnishings	99	148	—33
Lumber, Building Materials, Hardware	84	99	—15
Automotive Products	108	147	—27
Construction	126	151	—17
Commercial Service	100	118	—15
Total	2,502	2,919	—14

Retail and wholesale trade failures are mainly responsible for keeping the present level of failures above that of 1937 and 1936. They are 30 and 40 per cent higher respectively at the present time, while failures in other main groups are only about 8 per cent higher. In a few manufacturing lines—printing and publishing, drugs, paints, and automobiles—failures are actually lower now.

The decline in third-quarter failures, which averaged 14 per cent from the third quarter of last year, showed considerable variation by size groups. Small failures with liabilities under $25,000 declined only 13 per cent, whereas the drop in failures with liabilities between $25,000 and $100,000 amounted to 23 per cent, and in large failures with debts of $100,000 and over, 15 per cent. The variations by size within the industry groups were even more marked, as the following table shows:

PER CENT CHANGE IN THIRD-QUARTER FAILURES FROM 1938 TO 1939, BY SIZE AND INDUSTRY GROUPS

Industry Group	Amount of Liabilities: $5,000 to $25,000 Per Cent	$25,000 to $100,000 Per Cent	$100,000 and Over Per Cent	Total Per Cent
Manufacturing	—14	—30	— 9	—17
Wholesale Trade	— 7	—12	—38	—10
Retail Trade	—13	—28	—25	—14
Construction	—21	+38	—50	—17
Commercial Service	—20	+27	..	—15
Total	—13	—23	—15	—14

The number of failures in the largest size group was of course small compared with the numbers in the other groups, totalling only 50 in 1939 compared with 59 in 1938, but the trend of these large failures is important. Large manufacturing failures accounted for 34 of the 59 in 1938 and dropped only to 31 in 1939. Large failures in wholesale and retail trade combined dropped from 21 to 14; in construction from 4 to 2; and in commercial service numbered 3 in 1939 compared with none in 1938.

Canadian Failures

A 31 per cent rise occurred in Canadian failures in September. There were 132 cases reported with liabilities of $970,000, compared with 99 in August with liabilities of $982,000. In September, 1938, there were only 81 failures, but liabilities amounted to $1,084,000.

The September increase was all in retail trade. The Province most affected was Quebec, although Ontario and Saskatchewan also suffered increases. In Manitoba there was a 46 per cent drop.

Industry Group	Third Quarter 1939	Third Quarter 1938	Per Cent Change
Manufacturing	65	63	+ 3
Wholesale Trade	11	8	+ 38
Retail Trade	221	167	+ 32
Construction	15	13	+ 15
Commercial Service	12	4	+200
Total	324	255	+ 27

Because of the September increase Canadian failures for the third quarter exceeded those of the second quarter by 22 per cent, numbering 324 compared with 266. In two months out of the three they ran above those in the corresponding months of 1938 and for the quarter stood 27 per cent above last year's, as the above table shows. Here again the Provinces of Quebec, Ontario, and Saskatchewan were responsible for the gains. Manufacturing failures rose considerably over the number in the second quarter, but were about equal in number to those of the third quarter of 1938. Retail failures were nearly a third again as many as in either of the other two quarters. Food and restaurant failures alone showed no increase. Apparel shops were 65 per cent higher, while furniture store, hardware store, and automobile dealer failures more than doubled in number.

Note: In DUN'S STATISTICAL REVIEW there are published more detailed failure statistics by States, large cities, industrial divisions, size of liabilities, and special quarterly figures by industries.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

Geographical Groups:	September 1939	September 1938	Change P. Ct.	August 1939	Change P. Ct.
New England	$5,175,138	$3,895,222	+ 32.9	$4,154,797	+ 24.6
Middle Atlantic	27,705,458	36,319,171	— 23.7	41,220,629	— 32.8
South Atlantic	10,864,065	12,247,685	— 11.3	11,168,192	— 2.7
East Central	24,755,895	17,992,815	+ 37.6	26,050,836	— 5.0
South Central	12,732,796	7,737,074	+ 64.6	11,250,526	+ 13.2
West Central	6,369,637	4,501,573	+ 41.5	5,864,377	+ 8.6
Mountain	2,090,714	2,800,564	— 25.3	2,179,505	— 4.1
Pacific	13,516,243	16,307,356	— 17.1	15,943,525	— 15.2
Total U. S.	$103,209,946	$101,801,460	+ 1.4	$117,832,387	— 12.4
New York City	$18,684,042	$24,045,467	— 22.3	$26,024,096	— 28.2
Outside N. Y. C.	$84,525,904	$77,755,993	+ 8.6	$91,808,291	— 8.0

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1939	1938	1937	1939	1938	1937
January	23,187	21,798	27,226	927.5	871.9	1,089.0
February	19,711	17,584	23,720	896.0	799.2	1,078.1
March	24,995	22,822	29,412	925.7	845.3	1,089.3
April	21,798	21,667	26,086	871.9	833.4	1,003.3
May	22,188	20,169	23,951	853.4	806.8	958.0
June	23,022	23,959	25,903	885.5	921.5	996.3
July	21,386	21,624	26,015	855.4	865.0	1,000.6
August	22,591	19,716	22,260	836.7	730.2	856.2
September	23,820	21,733	24,076	952.8	869.3	963.0
October	.....	24,011	24,668	....	960.4	986.7
November	.....	21,637	21,796	....	940.7	947.6
December	.....	27,697	25,805	....	1,065.3	992.5
Total	.....	264,417	300,918	....	875.8	996.7

Bank Clearings for Individual Cities (000 omitted)

	September 1939	September 1938	Change P. Ct.	August 1939
Boston	$979,581	$803,835	+ 21.9	$885,632
Philadelphia	1,650,000	1,417,000	+ 16.4	1,734,000
Buffalo	138,640	122,568	+ 13.1	135,633
Pittsburgh	536,876	443,100	+ 21.2	488,962
Cleveland	431,397	374,189	+ 15.3	417,913
Cincinnati	260,171	242,200	+ 7.4	233,882
Baltimore	309,076	259,362	+ 19.2	285,835
Richmond	190,546	194,777	— 2.2	188,816
Atlanta	246,400	221,300	+ 11.3	242,700
New Orleans	182,423	169,904	+ 7.4	152,732
Chicago	1,360,924	1,170,699	+ 16.2	1,288,680
Detroit	426,614	359,739	+ 18.6	416,761
St. Louis	380,833	347,451	+ 9.6	353,833
Louisville	172,615	136,823	+ 26.2	140,529
Minneapolis	340,889	310,660	+ 9.7	306,482
Kansas City	420,594	358,066	+ 17.5	391,180
Omaha	141,411	117,844	+ 20.0	126,480
Dallas	258,044	227,945	+ 13.2	228,661
San Francisco	659,358	602,633	+ 9.4	634,024
Portland, Ore.	146,868	129,350	+ 13.5	138,355
Seattle	176,826	152,272	+ 16.1	162,480
Total 21 Cities	$9,410,086	$8,161,717	+ 15.3	$8,953,570
New York	$14,410,128	$13,571,140	+ 6.2	$13,637,331
Total 22 Cities	$23,820,214	$21,732,857	+ 9.6	$22,590,901

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

Weeks:	1939	1938	1937	1936
Oct. 31	$2.43	$2.38	$2.76	$2.78
Oct. 24	2.44	2.38	2.74	2.77
Oct. 17	2.43	2.39	2.80	2.75
Oct. 10	2.39	2.42	2.82	2.76
Oct. 3	2.41	2.42	2.86	2.74
Sept. 26	2.46	2.43	2.88	2.75
Sept. 19	2.46	2.42	2.92	2.78
Sept. 12	2.45	2.44	2.89	2.82

	High		Low	
1939	$2.46	Sept. 19	$2.13	Aug. 15
1938	$2.53	Jan. 4	$2.34	May 10
1937	$3.01	Mar. 16	$2.56	Dec. 28

Dun & Bradstreet Daily Weighted Price Index 30 Basic Commodities

(1930-1932 = 100)

	1939			
	Oct.	Sept.	Aug.	July
1	†	106.14	102.81	*
2	118.60	*	102.90	†
3	118.22	†	102.56	104.91
4	118.41	*	102.44	*
5	118.03	111.64	*	104.80
6	118.87	116.07	†	104.86
7	118.13	115.62	102.42	104.57
8	†	115.26	102.11	*
9	117.64	114.93	102.45	†
10	117.82	†	102.22	103.87
11	118.36	115.50	102.31	103.95
12	*	115.83	*	103.48
13	118.40	116.30	†	103.31
14	118.37	116.81	102.29	103.09
15	†	117.51	102.24	*
16	118.70	117.24	102.14	†
17	119.11	†	102.37	102.76
18	119.66	116.63	102.55	102.76
19	119.38	116.16	*	103.20
20	118.94	116.95	†	102.20
21	119.07	117.64	102.91	102.24
22	†	118.66	102.97	*
23	118.76	118.66	103.20	†
24	118.56	†	103.94	101.40
25	119.02	118.27	103.61	101.63
26	118.46	118.33	*	102.34
27	118.53	118.95	†	102.63
28	118.28	118.36	103.27	102.71
29	†	117.91	103.12	*
30	118.34	119.34	103.32	†
31	118.36		103.37	103.16

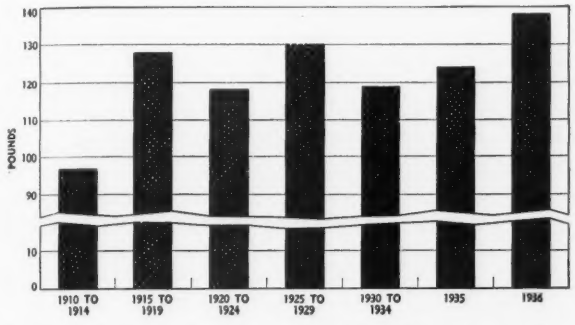
† Sunday. * Markets closed.

	High		Low	
1939	119.66	Oct. 18	101.40	July 24
1938	117.06	Jan. 10	102.43	June 2
1937	158.26	Apr. 5	114.83	Dec. 30

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

The Earth's Salt



PER CAPITA CONSUMPTION OF COMMON SALT IN THE UNITED STATES—*Five-year averages 1910-1934, 1935, and 1936—U. S. Bureau of Mines—The increased demand for salt occurring in the last twenty years has been brought about by the discovery of new uses for the product, rather than by changes in the taste habits of the populace.*

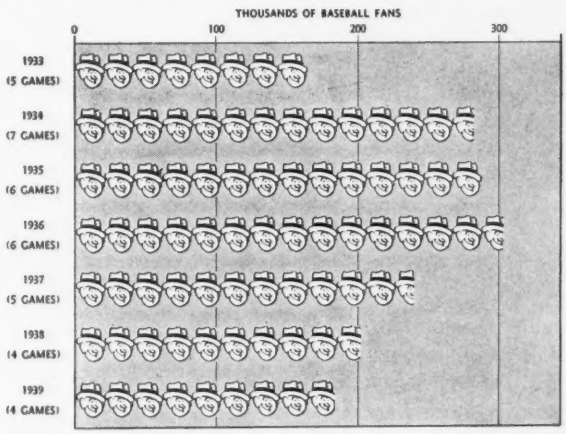
THE HOSTESS who seats her guest of honor "above the salt" will be surprised to hear that the demand for one of Adam Smith's "universal, inelastic" commodities has increased substantially in the past two decades. The U. S. Bureau of Mines, in its first publication concerning salt in twenty-two years, describes an American industry which in 1936 produced 30 per cent of the world's salt supply. Per capita consumption within the United States in 1936 was 70 per cent higher than in the 1900-1914 period. Uses for salt vary from the production of the country's sauerkraut and pickles to the manufacture of many important industrial products. New uses, such as the preparation of chlorine, chemical war gases, fertilizers, and road surfacing preparations, rather than changes in the taste habits of the public, account for the increase in demand.

Seven European countries in pre-war days, and three additional governments after the World War, established fiscal salt monopolies. In this country, where 72 companies operate, seven manufacturers produce 37 per cent of the national supply. Overbuilt in the past, the industry operates at only 50 per cent capacity even in a period of increased demand.

World Series

AT FIRST GLANCE it looks as though people just weren't as interested in the World Series this year as they have been sometimes. According to official figures on attendance, fewer people witnessed the baseball contest which took place between the New York Yankees and the Cincinnati Reds in 1939 than had attended any other series since 1933 or any previous four-game series since 1914.

Upon closer examination, however, it is not so evident that mere attendance figures are a reliable indicator of the fans' desire to be active spectators at the year's most important baseball event. One of the limiting factors as far as attendance at any one game is concerned is probably the size of the stadium. It is to be expected, for example, that a World Series played entirely at New York, where the famous Yankee Stadium can seat 82,000 enthusiasts, would be able to draw larger crowds than a series played in whole or in part at some smaller field. This year the attendance was 183,849, as compared with 200,833 at the similar four games between the Yankees and the Chicago Cubs last year. It is interesting to note that in the first two games this year, played at New York, attendance showed a gain of 32,582 over the first two games at Chicago last year, while in the last two games, played at Cincinnati, a loss of 49,566 was shown in comparison with the final games at New York a year ago.

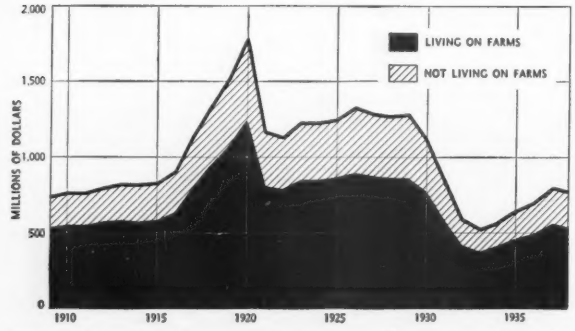


ATTENDANCE AT THE WORLD SERIES—*1933-1939—The number of fans who attend the World Series apparently does not vary directly with the number of games played; a six-game series in 1936, for example, drew a larger crowd than a seven-game series taking place in 1934.*

Farm Labor Costs

UNLIKE other costs, the farm labor bill remained relatively stable at a level of about a billion dollars during the prosperous days of the 'twenties. According to the U. S. Department of Agriculture, this average was considerably higher than corresponding pre-war figures, for between 1909 and 1915, farm labor costs remained at a level between 700 and 800 million dollars. The rise in costs during the war reached a peak of 1.8 billion dollars in 1920 which has never been since attained.

At no time has cash remuneration represented more than



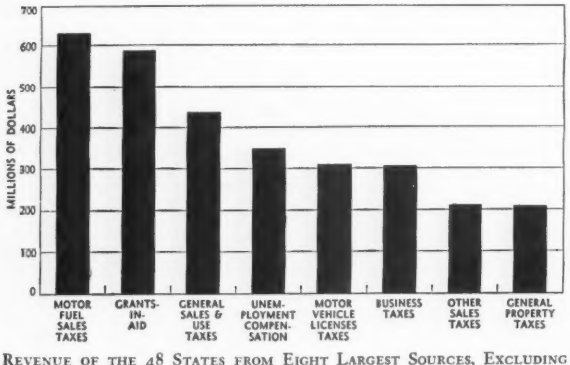
COST OF HIRED FARM LABOR, BY RESIDENCE OF LABORERS—*1909-1938—U. S. Bureau of Agricultural Economics—The farm labor bill has declined in the last decade to a level approximating that existing before the war began in 1914, due principally to a decrease in the number of agricultural workers rather than to changes in wages.*

75 per cent of all hired labor costs. In general, cash payments have reflected the same advances and recessions as total labor costs. In the two decades before 1929, when the number of hired help remained comparatively stable, fluctuations in cash payments reflected changes in the farm wage level. During the last nine years, however, they have been influenced by a decline in the number of agricultural workers.

The differential between cash payments and total labor costs is distributed among extra services such as board and lodging (the largest single item, representing 17 per cent of the total), and perquisites such as feed or free housing and pasturage. The hired help who live on the farms receive the lion's share of extra perquisites.

State Financing

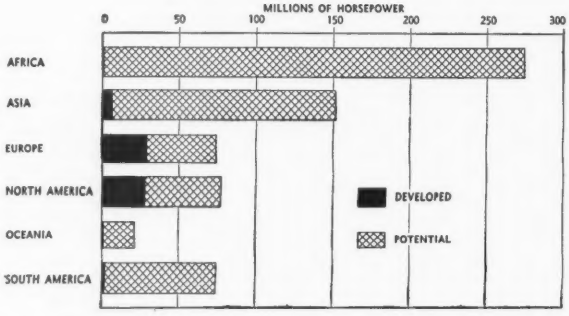
THE COSTS of maintaining forty-eight State capitals, as well as labyrinths of State departments, highways, hospitals, charities, corrections, police, health, and conservation services, have increased more than 60 per cent during the five years between 1932 and 1937. Per capita responsibilities, according to a recent study by the U. S. Bureau of the Census, were $20.28 in 1937, compared with $12.52 in 1932. The largest increase in expenditures was for charities, hospitals, and corrections, where per capita contributions increased almost 400 per cent.



REVENUE OF THE 48 STATES FROM EIGHT LARGEST SOURCES, EXCLUDING BORROWINGS—*1937—U. S. Bureau of the Census—The States' share of the general property tax is small in comparison with their income from other sources, such as the motor fuel and general sales taxes.*

Certain changes in receipts illustrate new ways of depression financing. The motor fuel sales tax, the largest single item, represented a smaller proportion of total receipts in 1937 than in 1932. Growing sources of State income were grants-in-aid for highways, relief, education, and health (which advanced from $1.84 per capita to $4.57), and the general sales, business, personal, and corporation income taxes. Old stand-bys, the property and poll taxes, took a relatively less important place in State financing. Per capita general and selective property tax levies for State purposes fell not only relatively but also absolutely, dropping from $2.74 to $1.79 in the period.

Water Power



DEVELOPED AND POTENTIAL WATER POWER OF THE WORLD—*1938—U. S. Department of the Interior—Europe and North America have developed their water power much more extensively than any other part of the world; vast potential resources exist in Africa and Asia.*

THE EASE with which we can obtain a nice, even flow of water by a mere twist of the wrist is not especially conducive to thoughts of how many horsepower of energy lie behind the simple process. In the United States alone, the U. S. Department of the Interior reminds us, the developed water power and the installed capacity of water wheels amounts to 17,949,000 horsepower, almost twice as much as in any other country. Canada's output is 8,191,000 horsepower, and Italy's 6,000,000, while France produces 5,400,000 horsepower, Japan 4,800,000, Germany 4,000,000, and Norway 3,000,000.

It must be considered, however, that in such countries as Canada and Norway, which are abundant in water power resources, only the best sites are utilized, and only so much machinery is installed as can be operated for a large part of the year with the water available. In countries where the demand is great relative to the resources, on the other hand, some of the machinery which is installed serves for only a small part of the year, power for the remaining period being supplied by steam.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Jenny's—A problem in public honesty: Suppose you have 200 umbrellas—and every rainy day you loan them to any person who walks in, asks for one, and leaves a name and address. After eight months, how many umbrellas have gone with the wind?

Bear in mind that the umbrella borrower is merely asked to return it at his or her earliest convenience, and that the umbrellas carry no advertising.

Jenny, a woman's apparel store in Cincinnati, Ohio, started this service in February, advertised it, and carried a window display. Because it feels a satisfied personnel is as important as satisfied customers, the store also lends the umbrellas to employees.

After eight months of this rainy day service, Jenny's took a census of its umbrella stock and reports as follows: umbrellas on hand, 197; umbrellas swiped by public, 2; umbrella storm casualties, 1; new accounts opened by dry and grateful strangers, many.

Non-Skid—Neoprene, a synthetic du Pont rubber, has been put to work keeping workmen sure-footed. Lima Cord Sole and Heel Company, Lima, Ohio, developed a special compound of Neoprene for their footwear this Spring. Put into new soles and heels under the name Neo-Cord, the material was sent out for testing in some of the nation's blue-ribbon manufacturing plants.

Where oil, grease, and common acids take their meanest licks at footgear, the Neo-Cords were tried. In a machine shop a pair outlasted seven pairs of soles and heels worn by a neighboring workman. Reports on the tests also mentioned a greater safety factor due to their non-skid properties.

Assembling—Where work requires the assembly of parts, a St. Louis, Mo., firm is recommending a set of trays slung on a vertical wheel called the Kari-All Parts Assorter. Do you remember how chairs swing on the ferris wheel at a country carnival? Kari-All trays are suspended between the rims of a ten-inch metal wheel the same way.

Diagraph-Bradley Stencil Machine Corporation manufactures the parts assorter. It is twelve inches high by ten wide and long. There are eight trays with thirty compartments. Among places it's been tried are shipping departments and radio equipment factories.

SHOW—*Building gasoline fires and putting them out in twelve seconds with carbon dioxide gas and snow are now a regular part of the sales strategy of Walter Kidde & Company, New York manufacturers of fire extinguishing equipment. Formerly an occasional stunt, the test-fires are now put on every six weeks for sales prospects.*

Roofs—From cups Egyptian jewelers made 3,000 years ago to a factory roof in Cleveland, Ohio, in 1939—that's the development and the newest development in porcelain enamel. There have been shingles of the material, but the new factory roof is believed to be the first self-supporting roof covered with porcelain enamel in the world. Appropriately, the plant is that of a manufacturer of such products, the Ferro Enamel Corporation.

The roofing sheets are of corrugated steel, on which the glass-like coating is fused. A small power saw cuts the

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COLLECTIONS: When collection letters fail, what unusual methods can be used to recover past-due accounts?

INSURANCE: How can you get greater insurance coverage at lower premium cost?

ADVERTISING: What is a simple method for increasing returns from your advertising?

CREDITS: Why should checks be deposited, not returned, when received unsigned, undated — or the amount in writing disagrees with the amount in figures?

CORPORATIONS: What must a corporation do to qualify its transactions in other states?

SALES LETTERS: What are the 7 "success ingredients" in letters that get the business?

BANKRUPTCY: As a creditor, what are your rights and privileges under the new Bankruptcy Law?

BUDGETARY CONTROL: How can you use budgets to save money, time, and improve general efficiency?

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sheets down from standard size. Two edges of the roofing slabs snap fast to adjoining corrugated sheets by an interlocking system known as Kor-Lock.

Edison—For the past month New York City's power titan, Consolidated Edison, has been booming a combination radio and phonograph offer for $23. The set is a new model made by the General Electric Company. After the Edison System disposes of its allotment at $23 each, GE will put the model on sale for $59.95. This is the regular price. However, the New York utility contracted for the entire initial production and capacity output during a specified period, obtaining permission to sell the sets for slightly more than one-third of what General Electric will charge later.

This is the third offer Consolidated Edison has made on a grand scale. First came the "Edison Bargain Package," a lamp, toaster, iron, and small radio. This was priced very low and promoted aggressively to low income families without such apparatus. More than a quarter of a million packages were sold, resulting in an estimated increased power consumption of $1,800,000 annually. Angry retailers complained the Edison System was snatching their customers, then rushed to make up Bargain Packages of their own.

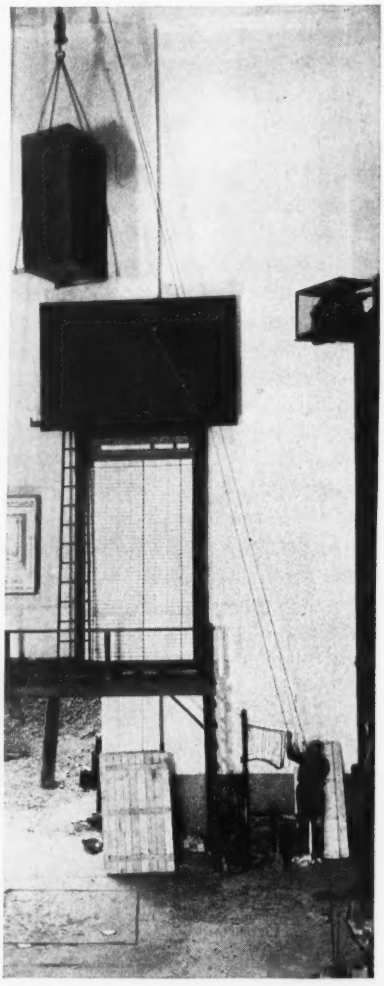
The second Edison offer also strode in where angels tiptoe. The System offered electric refrigerators under a generous trade-in allowance with three to five years for payment. Monthly installments were tacked on the electric bill. The company feels this also worked out well, as, at a dinner closing the campaign, an outside distributor credited the utility with helping stabilize prices by sticking severely to its advertised terms.

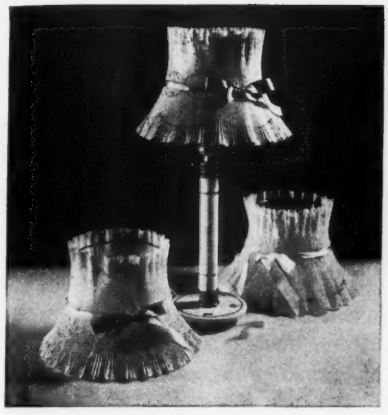
Standards—If you're a manufacturer who's worried about keeping consumer good-will, you can probably shift some of your burden to the broad shoulders of the American Standards Association. In fact, if you engage a Public Relations Counselor to tell you what makes the consumer purr over a product like kittens in catnip, he may suggest standards too.

The ASA has a special committee on consumer goods, with representatives from the American Association of

COMBINATION—*Radio-phonograph set made by General Electric and sold by Consolidated Edison Company of New York, Inc.*

TEST—*At Marietta, Ohio, before Remington Rand executives and guests representing leading industries, the Safe Cabinet, 30 feet up in the photo below, was heated to 1,720 degrees, bounced on the concrete floor, and heated again. The papers within remained undamaged. Had the papers been accounts receivable, Remington Rand said, they would still be assets, not ashes.*





SHADES—*Lampshades of plastic film; dainty but durable confections printed by Crystal Transparent Manufacturing Co., N. Y., on several makes of film. Shades retail for 10 to 25 cents. Those above are of Dow Chemical Company's "Ethofoil."*

University Women, the American Home Economics Association, the General Federation of Women's Clubs, and the National League of Women Voters. Also on the committee are members for retail trade and the Federal Government.

An example of the Standards Association's consumer work is the establishment of basic garment sizes for children's clothing. The U. S. Bureau of Home Economics recently measured 147,000 children from four to seventeen, then turned the information over to the ASA for use in setting up uniform garment sizes, replacing those based on age, which vary considerably.

Lockers—Cold storage locker plants for chilling, freezing, and storing farm produce are edging into the spotlight as private business ventures. The first ones were co-operatives in 1930 in the Midwest, and perhaps for this reason the business is practically unknown except in farming and refrigeration lines.

An average plant represents an investment of $10,000. It has 300 lockers renting for from $5 to $10 per year.

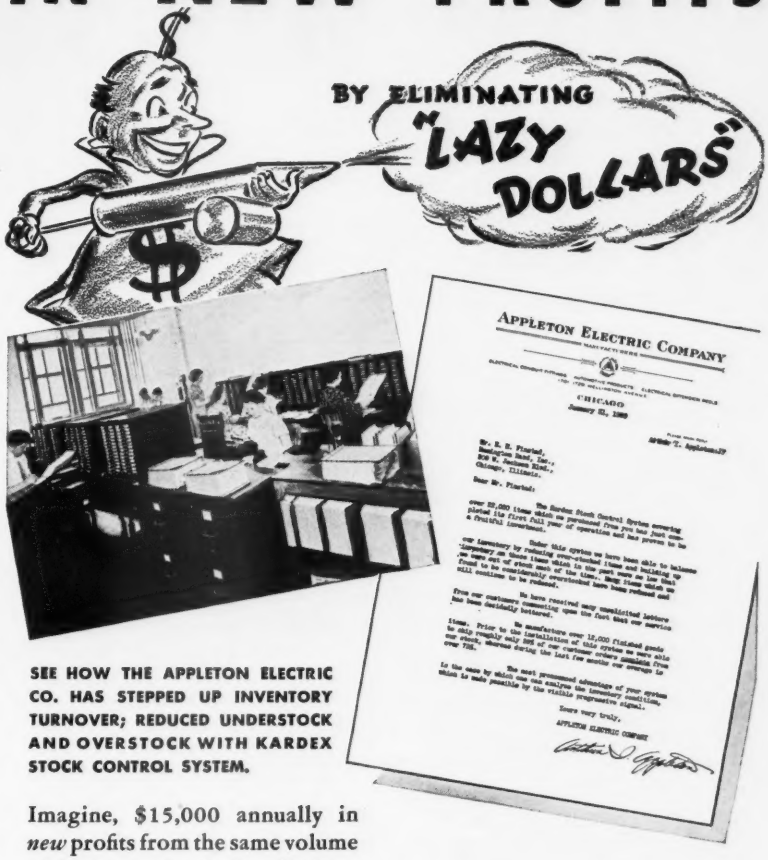
Cornell University's School of Agriculture reports that in 1938 there were 2,500 locker plants in the country.

Recently *Air Conditioning and Refrigeration News* told of eleven plants which have gone up in Tennessee since 1937, revealing that the first two were co-operative, but the rest have been privately owned. Operators include an ice plant, creamery, ice cream manufacturer, and a super market.

Cold storage locker plants tend to

$15,000.00 A YEAR IN NEW PROFITS

BY ELIMINATING "LAZY DOLLARS"



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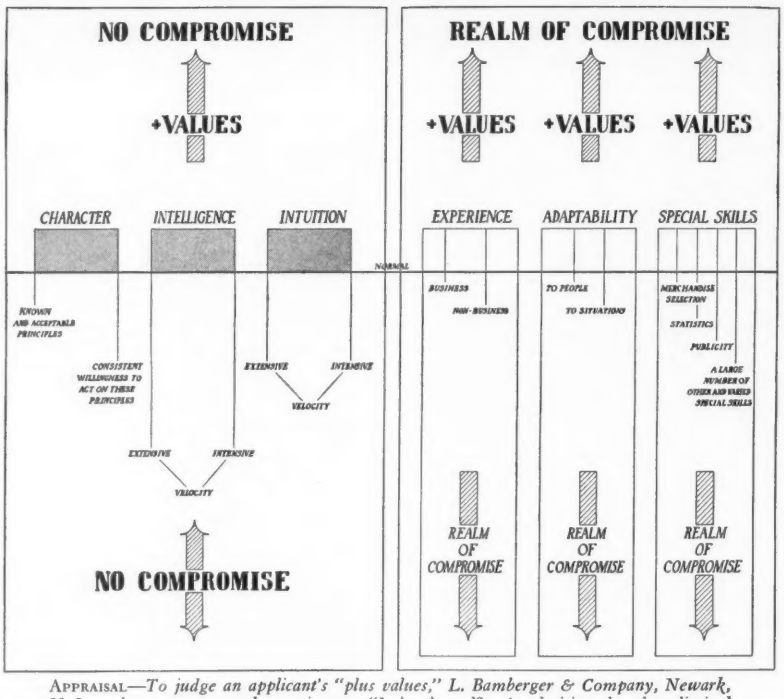
localize circles of distribution, according to some observers. A farmer with livestock to be slaughtered isn't obliged to sell the entire animal. He puts the meat in cold storage, withdrawing some for personal use and selling and trading the rest as the occasion arises. He does the same with fruits and vegetables.

Holds Tight—This is the day of specialization, but an 89-year old firm of rubber cement manufacturers reports success in introducing a new adhesive which performs a variety of jobs. It holds rubber tight to metal, concrete, and enamelled metal. It holds metal to felt, blue wadding, anti-squeaks, and linoleum. It holds linoleum to concrete.

There are special, specifically compounded cements which do each of these things. Consequently, the St. Louis Rubber Cement Company, St. Louis, Mo., has been cheered to see Griptite Metal Cement, its general purpose product, making headway too.



APPRAISAL—*To judge an applicant's "plus values," L. Bamberger & Company, Newark, N. J., seeks answers to such questions as: "Is he shrewd? Are decisions based on limited data usually accurate? Does he perform well under pressure? Has he initiative?"*

Hiring Executives—For the past year department store president Richard Weil, Jr., of L. Bamberger & Co., Newark, N. J., has emphasized six qualities in appraising prospective executives. Three of the six are listed as "No Compromise" items—Character, Intelligence, and Intuition. Three others—Experience, Adaptability, and Special Skills, are headed "Compromise," meaning that while an applicant may be short of one of them, surplus ability in the others may offset the deficiency.

For better visualization, the six qualities, and subordinate classifications, are shown on an appraisal chart in "Compromise" and "No Compromise" sections. (See chart above).

"Intuition," in the "No Compromise" section, is used to denote what are commonly called hunches. The store considers intuition a factor in successful retail merchandising.

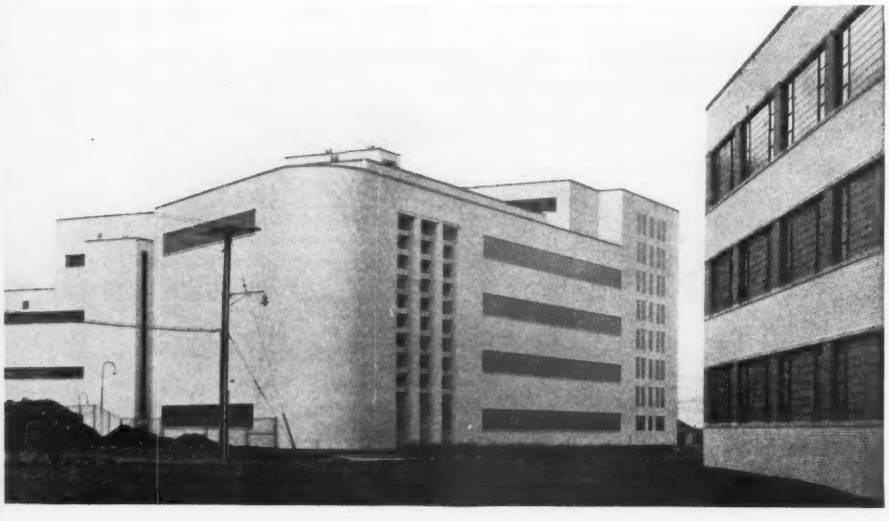
Intensive and extensive degrees of intuition and intelligence are required of prospective executives. "Intensive" is defined as travelling far along one path of thought. "Extensive" means covering a great many paths. As a reminder to appraise the quantity as well as the quality of intelligence and intuition, the chart includes a factor called velocity.

Posting—Single lines of data may be transferred from a master sheet at the rate of from 500 to 1,000 an hour with a machine made by the International Business Machines Corporation. The transferred line is legible, fade-resistant, and non-smudging. IBM says that two copies can be made from each original line, but in demonstrations the number is more often five.

The International Transfer Posting Machine, to give its full title, reproduces from a master sheet which has been typed with its back against a hectograph carbon.

In posting, duplicating fluid is applied automatically to a single line. A cross bar forces the liquid through the master sheet under pressure, moistening the carbon impression on the back. Pressure of the bar then prints the carbon on whatever ledger or journal form touches it.

SODA PLANT—*Church & Dwight Company's plant, Syracuse, N. Y., has electrically welded framework, panels of glass block instead of windows, and interior walls of glazed tiles. The Austin Company, Cleveland, Ohio, engineers, also changed the nearby building to match.*



EDUCATION

(Continued from page 7)

fathers of this republic. The Lockian philosophy of government simmers down to three simple propositions: First, that all just powers of government are derived from the consent of the governed; second, that the function of government is to make possible the greatest degree of individual responsibility and initiative; and, third, that the State may properly function only for the protection of life, property, peace, and freedom.

It is a significant fact that practically all the prominent New England patriots were educated in the Boston Latin School in Boston; that the Virginia group, Washington, Randolph, Wythe, Henry, Marshall, Jefferson, and Madison, all came directly or indirectly under the influence of Dr. Small of Edinburgh University, who taught logic and literature at William and Mary College in Williamsburg for a decade or two preceding the Revolution.

Basis for Freedom

In these schools our forefathers became acquainted with the democratic teachings of Socrates and Aristotle and Cicero and the great political thinkers of the seventeenth and eighteenth centuries. Nowhere is Ciceronian influence more evident than in The Federalist papers of Hamilton, Madison, and Jay. Jefferson states frankly that the Declaration of Independence contains new ideas but rests on "The elementary books of public right, as Aristotle, Cicero, Locke, Sidney, etc."

With his lack of education in classical history and political philosophy, the average twentieth century American is not prepared to support the American system against those who would destroy it. We are the first generation—perhaps the second—that has ever tried to live without a political philosophy. It cannot be done successfully. Our founding fathers had a political philosophy. They understood it, believed in it, fought for it. They had a common background against which to measure political ideas and theories. They knew how to defend their philosophy of government.

We have grown lazy, complacent,

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for the Potter and Processor

Ample supplies of clays for the potter and processor are available in the Gulf South. More than twenty varieties are produced or are producible for economic use.

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Industry is decentralizing southward to a friendlier atmosphere. Move to the Gulf South, where you are wanted and appreciated by your neighbors! Without obligation, let us make a confidential survey for you to meet the requirements of your industry.

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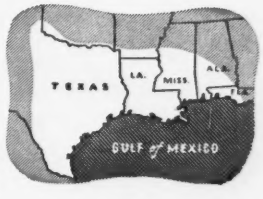

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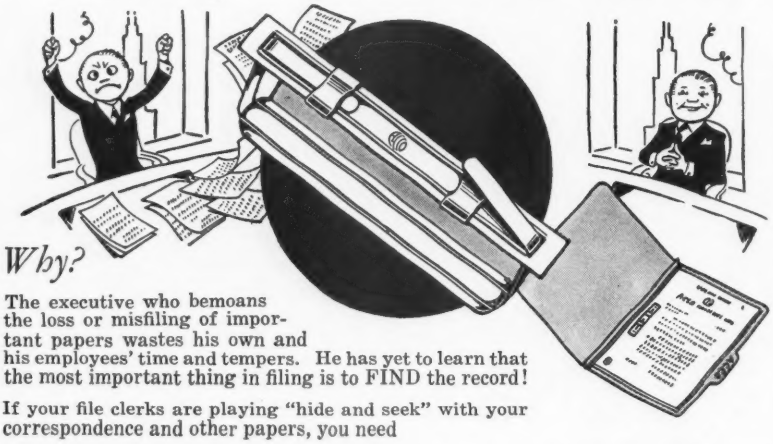
Which of These Executives Is Earning His Salary ? **THE GENTLEMAN ON THE RIGHT!**



Why?

The executive who bemoans the loss or misfiling of important papers wastes his own and his employees' time and tempers. He has yet to learn that the most important thing in filing is to FIND the record!

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DOES IT PAY TO BOND EMPLOYEES?

A FAIR question — and one easily answered with facts. Last year employers filed claims for employee dishonesty every six minutes of the business day. Surety companies paid out about $13,000,000 to satisfy them, at the rate of $90 a minute.

But this includes only those embezzlements that were *known* and *indemnified*—believed to be merely 5% to 10% of the real total. Thousands of losses occur in establishments having no protection . . . where the employer is willing to bank on the "unknowable", risk loss and take the consequences. . . .

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and smug in our enjoyment of the heritage of freedom. If we want to pass that heritage down to our children, it is high time that we arouse ourselves from our lethargy, acquire a thorough understanding of the roots of American liberty, and proceed to interpret those principles to our fellow-citizens. Old Samuel Adams' warning is particularly timely today: "Remember democracy never lasts long. It soon wastes, exhausts, and murders itself. There never was a democracy that did not commit suicide."

Representative democracy is not merely a piece of paper that we call a constitution. It is something far more profound than that. It is a pattern of thought, a habit of conduct, a way of life, the substitution of ballots for bullets, the willingness to play ball with the other fellow even when his ideas hold sway at the polls instead of yours. It has taken the English-speaking peoples 700 years to develop the self-discipline and education in national unity essential to the success of the democratic system which, as Tocqueville said, is the most difficult form of government to work but which yields far more to its citizens than any form of despotism.

Now the question arises, what are we, as patriotic citizens, going to do about our American heritage? Do we still subscribe to the political philosophy of our ancestors? Do we still believe in representative democracy? Despite its shortcomings, do we or do we not consider it superior to collectivism? Shall we let things drift as they have for many years gone by? Or shall we realize and accept our personal responsibility as American citizens? No one of us can do much, but we need to remember what Spencer said: "How infinitesimal is the importance of anything I can do, but how infinitely important it is that I should do it."

What can we do? you ask. Well, here is my answer:

We can and we should take time enough from our business and recreation to study and understand the political philosophy underlying our American heritage of representative democracy, free enterprise, and religious liberty. We can interpret this philosophy to our fellow-citizens. We can test every proposed governmental

policy against this philosophy—thinking independently and not blindly following herd opinion.

We can take an active part in politics by helping to form policies and by assisting to select and to elect the right men to office. Thus we can build respect for political life as a career. We can vote ourselves and see that others do so. We can advise and counsel regarding pending public questions with our elected representatives in city, county, state, and nation. We can seek ways of rendering public service by serving on committees, governmental commissions and, if possible, by holding public office.

We can support those civic and industrial organizations that are fighting to preserve the roots of liberty.

In Three Ways

We can interest ourselves in education, public and private, in three effective ways: First, by insisting that the curriculum stress the importance of mental discipline; second, by insisting on the study of classical history where one sees time after time the recurrence of reactionary movements similar to those we are now witnessing in this country; third, by insisting on the study of political philosophy so that the rising generation may understand what the roots of liberty in America are and thereby acquire a sense of pride in our American heritage.

We can practice what we preach by conducting our daily business affairs on a strictly ethical basis. In so doing we shall be confounding the critics of free private enterprise and thereby giving our personal support to the tripod of freedom.

We can interest ourselves in the church, remembering that our Anglo-American political philosophy is founded on the religious concept of the sacredness of the individual.

Edmund Burke asserted that society is "a solemn compact between the dead, the living, and the unborn." How do you and I propose to discharge our duties under that compact so far as our American heritage is concerned? Let us kindle a new fire of patriotism and religion in the mind and heart of every true American. If we do not, in Lincoln's words, "We shall . . . meanly lose the last great hope on earth."

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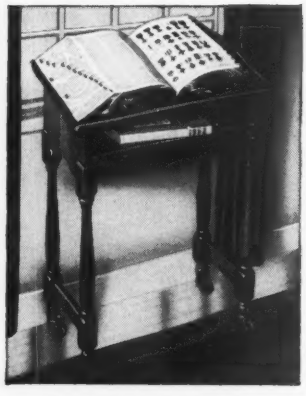
Los Angeles, Cal. · Memphis, Tenn. · Cleveland, Ohio · Cincinnati, Ohio



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In this work you will find not only full, complete treatments of all terms peculiar to the business world, but also a vast store of information on any subject you may wish to know about.

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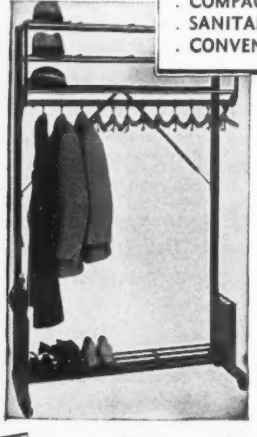

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THE BUSINESS BOOKSHELF

BUSINESS . . . FINANCE . . . ECONOMICS . . . GOVERNMENT

IN PREPARING *Practical Bank Credit* (Prentice-Hall, $7.50), Roy A. Foulke and Herbert V. Prochnow have addressed themselves to the practical problem of bridging an impressive gap in the literature on banking.

Although there has been a decline in earnings from loans and discounts in recent years, loan-making activities still constitute the largest single income item for most banking institutions. And yet the published material on the subject is scant. There are many volumes on the general subject of financial statement analysis, others on sources of credit information and the work of the bank credit department, still others on the principles of loan-making. But they have failed to follow through to practical application in actual loan problems.

In *Practical Bank Credit* the authors have aimed to present in its entirety the subject of loan-making in commercial banks and trust companies—for seasoned bankers who wish to review their habitual, near-instinctive reasoning; for young men now in banking and students of banking still in the universities; and, finally, for executives of business organizations who wish in their banking relationships to have a thorough understanding of the banker's viewpoint.

The authors themselves are men of practical training. Mr. Foulke is an experienced credit analyst, in charge of the Analytical Report Department of DUN & BRADSTREET, INC.; many readers of DUN'S REVIEW are already familiar with his articles on financial statement analysis (see pages 9-12). Mr. Prochnow is a Chicago bank executive who is well-known for his speeches at middle-western bank conventions.

The six parts of *Practical Bank Credit* treat successively of the operations of the bank credit department, sources of credit information, the interpretation of financial statements, the loan-making process, frozen loans and workouts, and typical requests for bank credit. In all of the loan illustrations, contributed by more than 30 bankers in all parts of the country, the banker's own analysis is given, and in the final section each case is followed by ques-

CURRENT READING

BOOK	SUMMARY
PRACTICAL BANK CREDIT, by Roy A. Foulke and Herbert V. Prochnow. Prentice-Hall, 690 pages, $7.50.	Loan-making by commercial banks is studied in its entirety, including the bank credit department, analysis of financial statements, credit factors, and types of loans.
DESIGN FOR RECOVERY, by Donald Mitchell Marvin and Gertrude Marvin Williams. Harper and Bros., 167 pages, $2.	"If dictatorships can secure increased efficiency by force, we can achieve similar results by giving free play to individual initiative." Suggestions for industrial planning and self-regulation.
TECHNOLOGY AND LABOR, by Elliot Dunlap Smith with Richmond Carter Nyman. Yale University Press, 222 pages, $2.50.	What happened in eighteen cotton mills when management installed labor-saving machines; why and how some plants succeeded while others suffered. Check-lists cover the handling of installation and labor relations.
PRACTICAL BUDGET PROCEDURE, by John H. MacDonald. Prentice-Hall, 326 pages, $4.	Covers sales forecasting, sales budgets, advertising, sales expense, publicity, inventory, and many other topics; also, a chapter on making the budget function.
RETAIL CREDIT SURVEY, 1938, by Malcolm L. Merriam. U. S. Department of Commerce, 179 pages, $.20.	Facts on open accounts, bad debt losses, and installment loss ratios for 1938, gathered from 2,451 co-operating retail organizations in 103 cities.
COPY TESTING, a study by The Advertising Research Foundation, Ronald Press, 131 pages, $3.	Material covers five basic methods for testing advertising copy. It includes such subjects as choosing an adequate sample, making sales tests, and using coupon and inquiry copy suited to your purpose.
SOUTH AMERICAN PRIMER, by Katherine Carr, Reynal & Hitchcock, 208 pages, $1.75.	Country by country the text explains who the South Americans are and what events have shaped them. It criticizes, without hysterics, the results of past interference by American business.

tions which seek to bring out the important elements in searching credit analysis. Some of the cases represent requests for credit made at the desks of bankers in villages, others in metropolitan centers. The authors' aim has been to present a typical cross section of commercial bank loan activity geographically and industrially.

A straightforward, thorough work intended for serious study, *Practical Bank Credit* will here and there startle and refresh the purposeful reader with apt anecdote and well-chosen adjective.

ANSWERS TO THE QUIZ

THESE are the answers to the quiz on pages 13-15. A perfect score is 105. For non-professional geographers 70 to 80 is very good. The first 15 questions count one apiece; questions 16 through 31 count five each; on the last question score one point for each of your ten cities which correspond with those given in the list below.

In the last question we are counting Minneapolis as a city of a half-million, although no one can be certain that it is. The Minneapolis Civic & Commerce Association reports that the most recent estimate for the city, July 1937, is 496,173.

If you attain a score of 105, by all means drop us a note about it, submitting appropriate testimony, with witnesses. You will be rewarded with a DUN'S REVIEW Certificate of Distinction signed by the editor, the artist, and the office boy.

1. O	16. B	32.—41:
2. C	17. A	Madras
3. B	18. B	Madrid
4. G	19. A	Manchester
5. J	20. C	Marseilles
6. L	21. A	Melbourne
7. A	22. D	Mexico City
8. I	23. B	Milan
9. H	24. A	Milwaukee
10. K	25. D	Minneapolis
11. M	26. A	Montevideo
12. N	27. C	Montreal
13. E	28. C	Moscow
14. F	29. C	Mukden
15. D	30. B	Munich
	31. D	

A succession of annual losses of $150,000 or more left the MAGNUS CORPORATION* with depleted working capital. Inability to take discounts on purchases impaired credit and increased operating costs.

As usual, under these conditions, current financing became a worrisome problem. Regardless of possibilities ahead, this company could not obtain from its regular sources sufficient funds to finance its potential sales. The experience demonstrated one of the glaring weaknesses of their financing set-up. A system which limited borrowing mainly on the evidence of a financial statement was a handicap rather than a help.

In direct contrast, our "NON-NOTIFICATION" Open Account Plan ignores such negative evidence, and provides funds on the positive evidence of a concern's ability to *sell*. Since this method obviously met their needs, the MAGNUS executives decided to try our service.

Our first advance on receivables was made on July 12th, 1937. The following excerpts from a letter we recently received prove the amazing results when they switched to *flexible* financing:

"As our balance sheet shows, we have accomplished a fine net change in our operating and financing position. Losses have been transformed into 'net profit' during the current year . . . One of our largest suppliers advises that credit in excess of one half million dollars will be extended during 1939 if needed, due to our record, since July 1937, of making payments on or before due dates . . . The use of your service frees executives from the 'shackles' usually thrown around a business by financial institutions . . . I believe this freedom from the worry of meeting short time loans would alone be worth much more than the cost of your service."

* * *

"NON-NOTIFICATION" Open Account Financing probably costs no more, very likely less, than you pay for time loans. You pay no interest on unused or unusable funds. You get cash advances against shipments in whatever amount you require. You need not borrow in excess of actual requirements. Your deposits are credited immediately against advances. For detailed explanation, send for a copy of our free booklet "CAPITAL AT WORK" to Dept. DR. No obligation.

**A fictitious name, but the facts and figures, taken from our records, can be certified.*

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

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CAPITAL AND SURPLUS MORE THAN $65,000,000

KEEP PROSPECTS REMINDED

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OVER THE EDITOR'S DESK

CONTRIBUTORS TO THIS ISSUE . . . COMING NEXT MONTH

HIS interest in executive compensation (pages 16-22) and his continuing attention to the material available on the subject seem to have developed naturally out of John Calhoun Baker's meetings with executives through the Harvard School of Business.

He was graduated from the School in 1923, was in business for three years, and then returned as assistant dean. During his years in that post, Mr. Baker became secretary of the Two Hundred Fifty Associates, a group of business men who aid the School in its research.

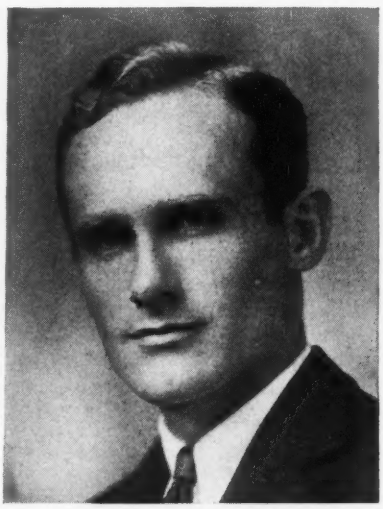
"My association with these men," Mr. Baker has written us, "probably led me to pay particular attention to executive compensation data when it was first released by the Federal Trade Commission and the Securities and Exchange Commission. Personally I felt rather strongly that it was being used in a destructive rather than constructive way.

"In 1935 Professor W. L. Crum and I felt that there would be sufficient merit in the material to justify one article. Since then I have been following the material constantly and have published a book, several monographs, and probably a dozen articles on the subject. And the work has really only begun."

AFTER graduation from Bowdoin, Roy A. Foulke (pages 9-12) began work in the credit department of a New York bank. For some years after that he managed the Bank Service Department of National Credit Office, Inc., and he is now in charge of the Analytical Report Department of DUN & BRADSTREET, INC.

Mr. Foulke is well known as a contributor of articles to financial and business periodicals. He is the author, too, of several books, among them: *The Commercial Paper Market, Fourteen Guides to Financial Stability, Behind the Scenes of Business,* and *They Said It With Inventories.*

NEXT month more of the averages Mr. Foulke has been developing this year (for 36 industries) will be presented together with an article on losses from fraudulent fires. The financial statement ratio figures for the 36 kinds of manufacturing and those for wholesaling and retailing which appear in this issue will be included in a new book by Mr. Foulke, *The Relativity of the Moral Hazard,* scheduled for publication sometime before the end of this year.



JOHN CALHOUN BAKER

ALSO for next month there is scheduled an article by Donald R. Craig, president of the American Retail Federation. Of especial interest just now, it will tell about some of the restrictions on retailing which have been imposed by European governments as a result of the war.

ON THE current back cover, as the latest of a series of sketches on the development of American industries from important inventions, is an outline of the growth of synthetic plastics.

Especially in recent years, the industry's growth has been so rapid, its products so many and diverse, that it has been difficult to suggest its character in a few words. The industry has been very much like the hero of Western fiction who leaped on his horse and rode off in all directions.

The many directions have been as confusing as the speed; all within the

term "plastics" may fall the distributor head in your automobile, the bristles in your toothbrush, the electrical wire insulation in your home, the cabinet of your radio, the ashtray and telephone on your desk, and—before long—the stockings on your wife. And they may have come cheaply and miraculously from coal, lime, air, and water, or from an unsuspecting cow in a Connecticut pasture.

Our hunch is that we are not alone in wanting to have the nature and the significance of these developments made more plain, at any rate as intelligible as something grounded in organic chemistry can be made for laymen. Thus in next month's number there will be a comprehensive review of synthetic plastics. Its value, we hope, will be threefold; to help readers determine what industries may be affected by further developments; to suggest how they may be affected, as customers and as competitors; and to set up a framework of understanding of the subject, within which one may fit the news of future advances in plastics.

IN FUTURE plans, too, is a report on withdrawals from business, not only through failure involving loss to creditors, but also through the more frequent process of simply closing the doors. The guinea pigs: eleven retail trades in Indiana; the period: 1929-1937.

DUN'S REVIEW

290 BROADWAY NEW YORK, N. Y.

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Willard L. Thorp, *Editor;* Norman C. Firth, *Managing Editor and Business Manager;* Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors;* J. A. D'Andrea, *Statistician;* Clarence Switzer, *Art Director;* H. C. Daych, *Advertising Manager.*

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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 32-36)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, $1 a year; $2 outside the United States.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition,
September 30, 1939

RESOURCES

CASH AND DUE FROM BANKS	$1,316,611,273.45
BULLION ABROAD AND IN TRANSIT	4,104,809.19
U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	808,803,815.57
STATE AND MUNICIPAL SECURITIES	145,155,667.39
STOCK OF FEDERAL RESERVE BANK	6,016,200.00
OTHER SECURITIES	139,856,399.67
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	601,289,697.70
BANKING HOUSES	33,529,051.51
OTHER REAL ESTATE	8,368,506.25
MORTGAGES	10,437,587.73
CUSTOMERS' ACCEPTANCE LIABILITY	13,286,318.66
OTHER ASSETS	9,551,850.34
	$3,097,011,177.46

LIABILITIES

CAPITAL FUNDS:		
CAPITAL STOCK	$100,270,000.00	
SURPLUS	100,270,000.00	
UNDIVIDED PROFITS	34,058,239.52	
		$ 234,598,239.52
RESERVE FOR CONTINGENCIES		15,945,320.94
RESERVE FOR TAXES, INTEREST, ETC.		2,061,467.14
DEPOSITS		2,817,976,513.90
ACCEPTANCES OUTSTANDING		16,039,954.07
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS		5,962,400.72
OTHER LIABILITIES		4,427,281.17
		$3,097,011,177.46

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THE TAXICAB STANDARD

THE proverbial Scotchman had given his son a lecture on the need for economy. The next day the boy reached home from school very weary but happy. "Father," he said, "I walked home and saved tuppence by not taking the tram."

"That's fine, son, but next time, save a shilling by not taking a taxicab."

Measuring any accomplishment involves selecting the basis of measurement, and thus we can make it sound large or small. Shall we compare current business with 1915, or 1929, or 1938, or capacity? Shall we measure our standard of living by comparison with that of the United States in 1929, or India in 1939, or capacity? It would be nice always to measure against the taxicab, but most Scotchmen still ride in trams.

Willard L. Thorp.

EDITOR